

WATERMARK

FEDERAL EMERGENCY MANAGEMENT AGENCY

THE NFIP TURNS THIRTY

The year 1968 opened a new era in protection against flood losses for residents across the United States. That was the year the National Flood Insurance Act was passed, establishing a program that offers Federally backed insurance in exchange for the adoption and enforcement of community floodplain management ordinances. On June 29, 1969, the first flood insurance policy was sold in Louisiana.

"My dad sold the first flood insurance policy," explains Hartwig Moss, III, of the Moss Insurance Agency in New Orleans, Louisiana. "Flood policy number one was purchased by a well-known New Orleans architect for \$35." In the three decades that have followed the sale of that first policy, flood insurance has become an essential form of protection against flood losses for millions of people in the United States, Puerto Rico, Guam, and the Virgin Islands.

Early efforts to reduce damage from flooding in the

United States centered upon the construction of dams, levees, seawalls, and other flood-control works. While these mitigation efforts often were successful in averting or lessening losses from flooding, they fostered a false sense of security among property owners. In many cases, development actually increased in areas historically subject to flooding. When floods did occur, these efforts proved inadequate and the results were catastrophic.

Often, loans or taxpayer-funded disaster relief were the only resources available to assist flood victims. "Homeowners policies and other standard property policies didn't provide coverage against flood losses," explains Moss, whose family insurance agency has served clients in southern Louisiana for more than 125 years. "It was just too great a catastrophe exposure for the insurance industry. Before the

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Achievements of NFIP Partners Honored at Flood Conference

Thousands of stakeholders in the National Flood Insurance Program (NFIP)—insurance agents and companies, lenders, state and local public officials, and FEMA mitigation and flood insurance experts—work with dedication and creativity to bring flood awareness and protection to millions of people across the United States.

Each year, the Federal Insurance Administration (FIA) recognizes the achievements of some of the NFIP's partners at the National Flood Conference (see the "Confluence" column on page 21 for details on the conference). One of the highlights of this year's conference, held in Atlanta, Georgia, was the awards banquet, where FIA Administrator Jo Ann Howard presented awards to several outstanding private

sector and governmental partners for their accomplishments in promoting National Flood Insurance.

Administrator's Club Awards Recognize Outstanding Policy Growth

The Administrator's Club Award is given each year to WYO companies that sell and service National Flood

Insurance and have achieved superior growth in new policies. The company with the highest percentage of growth for the

previous year within its size category qualifies for the Administrator's Club. The company that experienced the highest percentage of overall growth

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Message from the Administrator

Dear *Watermark* Reader,

This year marks the 30th anniversary of the National Flood Insurance Program. During that time, we have worked with our partners to help more Americans protect themselves with National Flood Insurance. The cover article provides a history of the program, highlighting its successes and explaining how far we have come since 1968.

When you read the 30-year anniversary article, you will note that each administrator had goals he or she set out to accomplish during his or her administration. During my tenure as Federal Insurance Administrator, I want the Program to be in a better position to explain what flood insurance can do, what it does do, and what it will never do. To do that, we are looking at a number of different issues that face the NFIP. Some of these include repetitive losses, the Program's borrowing authority, and mitigation costs. I also want to review the Arrangement with Write Your Own (WYO) companies, including the expense allowance, to be sure it continues to support a truly equitable partnership.

You can see that my focus is on sound insurance operations. The NFIP is a government program, and we have an obligation to ensure that we use the funds collected from policyholders wisely and in the best interest of the policyholders and all consumers. We are fiduciaries for OPM— "Other People's Money."

Additionally, we have responsibilities that extend to our partners, such as insurance companies, agents, lenders, and State and local officials. That is why we are having a Call-for-Issues. This will provide an opportunity for comments regarding program improvements. A formal call-for-issues will be published in the Federal Register this September.

We are also in the process of gathering and archiving all historical NFIP documents to preserve the history of the NFIP. This will be our formal record of decisions made, reasons for these decisions, and how goals and objectives have been achieved.

The NFIP has been successful in providing flood insurance to millions of Americans. It's important for the NFIP to make sure that our stakeholders and constituents know what the goals have been and how they were achieved. And, we here at the NFIP recognize and appreciate the fact that everything flood insurance can do and does do, is because of what we do by working together.

Sincerely,

Jo Ann Howard
Administrator
Federal Insurance Administration

Watermark Subscription Information

If you would like to receive additional copies of this twice-yearly publication, or if you know someone who would like to be on our mailing list, send your request to:

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Additional information from **Watermark** is available through the NFIP website, which contains the current issue and selected back issues. You can access the NFIP website through the Internet at <http://www.fema.gov/nfip/>.

THE NFIP TURNS THIRTY

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launch of the flood program, people just repaired their damage themselves when they had flood losses. You'd get a loan from the bank or go to your parents or your grandparents for help, and life went on in the best way it could after a flood. We were all glad to have a viable program to offer the public when the flood legislation was enacted."

According to George Bernstein, the first Administrator of the Federal Insurance Administration, the goals of the NFIP were spelled out by the legislation: "To qualify for insurance, communities had to take certain loss mitigation actions, such as restricting the use of land [in flood prone areas], and structural actions, such as building to withstand a 100-year flood."

The Army Corps of Engineers and U.S. Geological Survey completed Flood Insurance Studies (FIS) that identify the location of the floodplain before a community enters the Program, but when it was inaugurated, only two communities had undergone the study: Fairbanks, Alaska, and Metairie, Louisiana.

On December 31, 1969, legislation was passed that allows any community to enter the Program before completion of the lengthy FIS that identifies the higher risk Special Flood Hazard Areas (SFHAs) in a community. When participating communities agree to adopt minimal floodplain management, this phase of the Program allows residents to receive a limited amount of insurance coverage. After the FIS is completed and a community chooses to enter the Regular Phase of the Program by agreeing to regulate new construction in SFHAs, the coverage limits are raised significantly, and premium rates for buildings already located in SFHAs are set accordingly. "The trade-off was a subsidy by the taxpayer of existing structures in return for communities enacting zoning laws and building codes that required safer new construction," explains Bernstein.

Though hundreds of communities chose to enter the Program in the early 1970s, in general, public response to the Program was low. In addition, resistance to Program floodplain requirements from developers and real estate brokers was high because proactive construction techniques that would protect property against 100-year flood losses were costly.

In June 1972, Tropical Storm Agnes struck the East Coast of the United States, causing massive damage that required substantial Federal relief. In the following year, the Flood Disaster Protection Act was passed, providing



1968 - 1998

impetus for lenders to require the purchase of flood insurance on buildings at flood risk.

"This legislation dealt with the realities of opposition by real estate developers to the community adopting necessary building codes and zoning laws in two ways," continues Bernstein. "First, if any community that qualified for the flood insurance program and had an identified SFHA did not adopt flood hazard mitigation measures within 2 years of entering the Program, no mortgage money would be available in those SFHAs from any lending institution insured by the Federal Government. Second, once a community entered the Program, anyone located in an SFHA who did not buy Federal flood insurance could not get a Federally insured mortgage . . . and that basically covered most mortgages. As a result of that act, by the end of the 1970s the number of communities in the Program rose from around 1,200

before the legislation to more than 18,000."

In the early 1970s, the Program worked to get more communities to participate and define flood hazard areas. But by the late 1970s, most communities were in the Emergency Phase of the Program, and the focus began to shift to developing Flood Insurance Rate Maps (FIRMs) so that communities could be moved into the Regular Phase of the Program. Under the leadership first of Robert Hunter and then of Gloria Jimenez, the government assumed direct flood insurance writing and claims handling through a servicing agent.

In 1981, Jeffrey Bragg became FIA's next Administrator and set three new goals for the NFIP: (1) to make the Program self-supporting for the historical average loss year through rating and coverage changes; (2) to broaden market penetration; and (3) to re-integrate the writing and servicing of flood insurance into the private insurance industry.

In 1982, the Coastal Barrier Resources Act was passed, making buildings located on designated undeveloped coastal barrier islands ineligible for Federal flood insurance and disaster assistance. The next year, the Write Your Own (WYO) Program, FIA's initiative to return the selling and servicing of flood insurance to insurance industry professionals, was established. Under a Financial Assistance/Subsidy Arrangement, private insurance companies could place and service flood insurance policies under their own names without financial risk. Forty-eight companies joined the WYO Program during its first year. Today more than 130 companies take part in the WYO Program.

In 1985, Hurricane Gloria hit the East Coast, causing flood damage in eight states. In the same year, one year ahead of schedule, the NFIP became self-supporting and Harold Duryee became the fifth FIA Administrator. Two years later, the Community Rating System incentive program was created to provide lower premium rates

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for residents of communities that implement mitigation measures beyond those required by the NFIP.

During the Program's second decade, several other major improvements were introduced. They included the Claims Coordinating Office, the Single Adjuster Program, the Condominium Master Policy, and the Preferred Risk Policy.

In 1989, Hurricane Hugo slammed into South Carolina and became the first operational test of the Claims Coordinating Office. C.M. "Bud" Schauerte became the next FIA Administrator and served for 3 years.

Established in the 1960s, implemented and expanded in the 1970s, made self-supporting and closely partnered with the insurance industry in the 1980s, the NFIP shifted its focus to consumers and the lending community in the 1990s. In 1991, the Mortgage Portfolio Protection Program was created to allow lenders to "force place" flood insurance for uninsured property owners whose structures are located in SFHAs.

In 1992, Hurricane Andrew hit Dade County, Florida, causing the worst storm damage in U.S. history and seriously impacting the entire insurance community. The next year, the Great Midwest Flood affected nine states where fewer than 10 percent of residents had flood insurance. In 1994, Congress passed the National Flood Insurance Reform Act, marking the first major overhaul of the Program in 20 years. The act reinforced lender compliance with the mandatory purchase requirements enacted in 1973, increased coverage amounts, extended the policy waiting period to 30 days, and introduced new mitigation programs.

While legislation has spurred Program growth, education has continued

to be an important method of communicating the NFIP message. Early efforts to promote flood insurance focused on outreach to communities as they entered the Program.

Every time a community joined the Program, the NFIP would send a letter to the mayor along with a customized press release to announce the availability of flood insurance to area resi-

awareness of flood insurance among consumers and to motivate them to contact the NFIP or their own insurance company or agent. Those who contact the NFIP are put in touch with an agent in their area who writes flood insurance if they don't already have an agent. And, with special materials such as ad slicks and a co-op advertising program, insurance companies and agents are able to tie their own marketing efforts into this national campaign.

In June 1997, the Increased Cost of Compliance coverage became effective, providing assistance for policyholders to bring their substantially damaged, or repetitively damaged, buildings into compliance with community floodplain management ordi-

nances. Six months later, Jo Ann Howard became FIA's current Administrator. Having worked in insurance law for more than a decade and as a former State Insurance Commissioner of Texas, she is well acquainted with the challenges facing the NFIP. "We are having a call-for-issues this summer," she told NFIP stakeholders at the National Flood Conference held in Georgia at the beginning of June 1998. "We want to look at issues, have people come and present facts, and then we'll be able to make rational decisions in an open and fair environment. We, at FIA, are bringing together the historical documents, studies, and important works that have transpired in the past 30 years. I believe it is important to tell the whole flood story, to tell how much money this program is saving the government as a whole and how it is doing it."

Mitigation requirements, such as elevation and floodproofing, have reduced flood losses in SFHAs, saving taxpayers countless dollars in Federal disaster assistance funds. Buildings constructed in compliance with NFIP floodplain requirements are more than 75 percent less likely to be damaged



Sample NFIP marketing brochures used over the years.

dents. The NFIP also engaged in numerous public service campaigns, enlisting the help of major Hollywood figures like Burgess Meredith and William Shatner to promote flood insurance. Later marketing efforts focused on annual public awareness campaigns that were deployed by season in specific regions to NFIP stakeholders. Hurricane-related public awareness materials were sent to coastal states during hurricane season, and spring flooding materials were sent to states that typically experienced flooding as a result of snowmelt and spring rains.

Elaine McReynolds became the next FIA Administrator in 1994 and initiated numerous program simplification initiatives such as credit card payment capabilities, condensed rate tables, and provisional rating. The next year, in response to FEMA Director James Lee Witt's goal to increase the number of flood insurance policies by 20 percent in 2 years, FIA introduced the Cover America campaign. The campaign is designed to increase

by a flood. Loss prevention is the thrust of the new **Project Impact** initiative implemented at the end of 1997 by FEMA Director James Lee Witt. **Project Impact** includes a national awareness campaign that challenges communities across the United States to become disaster resistant. Several communities have been selected to demonstrate the benefits of hazard mitigation through partnership efforts with FEMA.

There is a growing awareness of the hazard of flooding. And it is reassuring that when there is a flood disaster, more and more of the people whose property is damaged have some flood insurance coverage. The emphasis is shifting slowly from a reliance on disaster assistance to pre-paid assistance, which is what insurance is.

Another indicator of this program's success is even more visible. A tour of the nation's floodplains today, inland or on the coast, would reveal two major changes: newer properties are elevated off the ground and above flood level, and local officials are paying close attention to the use of floodplains from a planning standpoint. There are now more examples of floodplains devoted to open space or to recreational use instead of residential or business purposes. So, when floods inevitably occur, property damage is minimized or eliminated. When we accomplish that, we minimize or eliminate disruption to lives of people, to businesses, and to the community.

The NFIP has been successful and can proudly point to those successes from the past 30 years. Although there still are concerns to be dealt with, the Program is steadily reducing the amount of property and the number of lives exposed to severe flooding hazards. None of these achievements could have been accomplished without the strong partnerships the NFIP has forged with private industry groups, and with Federal, State, and local governments. ■

Achievements of NFIP Partners Honored at Flood Conference

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and more than 2,000 new policies among all of the companies that qualified for the Administrator's Club is awarded the Administrator's Club Trophy. The winner of the Administrator's Club Trophy for the 1997 Arrangement Year was Hartford Fire Insurance Company, with the highest percentage growth and more than 13,000 new policies. All Administrator's Club Award winners for the 1997 Arrangement Year are listed here.

Companies with:

more than 74,000 policies:

American Bankers Insurance Co.
11.3% growth - 21,141 new policies

15,000-74,000 policies:

Southern Farm Bureau Casualty
20.9% growth - 7,457 new policies

5,000-15,000 policies:

First Community Insurance Co.
94.4% growth - 7,755 new policies

1,000-5,000 policies:

Hartford Fire Insurance Co.
283.7% growth - 13,983 new policies

fewer than 1,000 policies:

Universal Insurance Co.
296.4% growth - 406 new policies

Three Insurance Agencies Receive Agency of the Year Awards

The growth of the NFIP is dependent on insurance agents who dedicate their time, creativity, and other resources to writing and servicing flood insurance policies. Each year, FIA honors three insurance agencies for their outstanding contributions to the NFIP. Insurance agencies are nominated for these awards by a variety of organizations such as WYO companies, vendors, and insurance trade associations. All nominations are reviewed by a selection committee made up of one member each from the Flood Insurance Producers National

Committee, the WYO Marketing Committee, and the Institute for Business and Home Safety's Flood Committee. The top three nominations are selected on the basis of an agency's steps to achieve superior policy growth, implement innovative marketing strategies, adhere to established underwriting guidelines, and participate in flood awareness activities.

The agencies selected for their efforts in 1997 are listed below. See the "Benchmarks" column on page 24 for profiles of agencies.

- Warner and Company Insurance Fargo, North Dakota
- Kinghorn Insurance Agency Hilton Head, South Carolina
- AAA Insurance Agency Tampa, Florida



Accepting the Agency of the Year Award are (left to right) Dan Jiles of AAA Insurance Agency, Denise Magness of Warner and Company Insurance, and James Rowe of Kinghorn Insurance Agency.

Materials Contest Held to Promote Public Awareness of Flooding

WYO companies and other NFIP partners that produce public awareness materials to promote flood insurance are invited to submit any items they've developed to the National Flood Conference Committee for presentation at the National Flood Conference. After materials are categorized by type, they are displayed at the annual conference, where attendees have the opportunity to vote for their favorite entry in each category.

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Recent Program Changes

In May and October each year, FIA publishes the changes that are made in NFIP policies and procedures to enhance Program operations and accessibility.

May 1998 Program changes address the topics listed below.

- Eligibility for Preferred Risk Policies
- Increase in Deductibles
- Implementation of New AR Zones
- Increase in the Expense Constant
- Adjustments to the Rate Tables

Eligibility for Preferred Risk Policies

Preferred Risk Policy (PRP) eligibility has been based on the flood loss history of a building during the period of ownership of the current owner. Beginning in June 1998, the flood loss history criteria will be determined for a building regardless of ownership. This means that those buildings that show repetitive losses no longer will qualify for PRP rates and, at the time of renewal, agents will have to rewrite these policies using standard rates. In addition, continued eligibility as a PRP will depend on the flood risk zone in effect on the FIRM as of the effective date of the policy renewal. Properties no longer located in Zones B, C, or X on the FIRM in effect on the date of renewal will be able to retain a standard rating for the X zone, but not the PRP rating. Grandfathering rules, which allow a property owner to pay a lower premium on a building based on an earlier FIRM that shows the building's location to have low risk of flooding, will not allow renewal of a policy as a PRP if the building is located in a zone other than B, C, or X on the renewal date.

Increase in Deductibles

To reduce subsidy levels of the NFIP, the standard deductible for subsidized policyholders has been increased from \$750 to \$1,000. The change in deductibles, explained

below, applies only to subsidized policyholders. Subsidized policies are those that cover buildings located in communities in the Emergency Phase of the NFIP and those rated using Pre-FIRM rates in Zones A, AO, AH, A1-A30, AE, VO, V1-V30, V, and VE.

The increased standard deductible applies to all subsidized policies that are newly issued or renewed with effective dates on or after May 1, 1998. The deductible is applied separately to building and contents loss. This means that if a claim is filed under Coverage A-Building Property and Coverage B-Personal Property, the policyholder will be responsible for deductibles totaling \$2,000. For an additional premium, policyholders who wish to reduce their deductible may opt to purchase, or "buy back," a \$500 deductible separately for building and contents coverages.

Implementation of New AR Zones

The U.S. Army Corps of Engineers has determined that levees in the urbanized areas of Los Angeles and Sacramento, California, can no longer provide protection from the base flood (a flood that has a 1 percent chance of occurring in any given year). Previously thought to be safe, thousands of homes and businesses built adjacent to some levees in the Los Angeles and Sacramento areas now are at risk of catastrophic loss should a major flood occur.

In 1992, a law took effect that provided for a new Special Flood Hazard Area (SFHA), called an AR Zone. In the new AR designation, the "A" indicates an SFHA and the "R" refers to the fact that restoration is under way. The AR Zone designation is a means of recognizing that a flood protection system is being restored to provide protection against the base flood. The new zone designation also is a means of reducing flood insurance costs and elevation requirements for properties that will be exposed to an increased

risk of flooding during the restoration period. In addition, the AR Zone designation process helps eligible communities establish a plan for restoring flood protection with the assurance that a restoration project, if constructed as proposed, will result in the eventual removal of the SFHA designation from protected areas. The AR Zone designation is intended to encourage communities to quickly restore base flood protection in areas at risk. FEMA's Flood Insurance Rate Maps (FIRMs) containing the new AR designation went into effect on July 6, 1998, in the Los Angeles and Sacramento areas; however, flood insurance premium rate increases scheduled for the AR Zones were revised. See the related article "Rates Revised for New AR Zones in California" on page 15 for more details. For additional information regarding AR Zones, visit FEMA's AR Zone website at <http://www.fema.gov/mit/arzone.htm/>.

Increase in the Expense Constant

The NFIP's Expense Constant is a flat charge placed on all new and renewed flood insurance policies and paid by the policyholder to help defray the Federal government's expenses for policy writing and other Program operations.

In May 1998, the Expense Constant increased approximately 10 percent, across the board. The Expense Constant is now \$50 per building for a single building policy and \$45 per building for a scheduled building policy that covers 2 to 10 buildings in the same location with the same owner. Similar increases were made for Residential Condominium Building Association Policies.

Adjustments to the Rate Tables

Several adjustments in the NFIP's rate tables—charts used by agents and underwriters to calculate flood insurance premiums—have been completed.

Incorrect Cancellation of Residential Condominium Building Association Policies (RCBAPs)

RCBAPs are sometimes canceled incorrectly by the condominium associations that purchase them. Sometimes condominium associations obtain Letters of Map Revision (LOMRs) that remove their building from the SFHA identified on the FIRM in effect for their community. The reason given for cancellation is number 9 in the Flood Insurance Manual: "Insurance is no longer required by the mortgagee because the property is no longer located in an SFHA."

This is not an appropriate reason for cancellation, because no purchase requirement is placed on the condominium association by a mortgagee—only on individual unit owners within the association. If, in this situation, the association wishes to cancel the RCBAP prior to expiration, it must obtain a release from the mortgagee of every unit owner within the association. Only when this has been done

can the policy be canceled, using reason number 9. If even one mortgagee objects to cancellation of the RCBAP, the policy cannot be canceled.

Determining FIRM Effective Dates

It can be a challenge to determine which FIRM date to use in calculating the premium when a change in maps is in progress during the period of application. The FIRM that is in effect on the date of application for flood insurance is the one used for establishing the rates regardless if there is a change in the FIRM before the policy becomes effective. This procedure replaces the practice of using the map in effect at the time the policy becomes effective. See NFIP Policy Issuance 1-98 at the end of this issue for more details on FIRM revisions and rating.

Call-for-Issues

At the 1998 National Flood Conference held in Atlanta in early June 1998, FIA Administrator Jo Ann

Howard introduced a call-for-issues regarding the NFIP to all Program stakeholders.

This call is an invitation to submit suggested changes to any aspect of the NFIP. Such areas of change could involve NFIP laws, regulations, manuals, policy language, coverage, rates, forms, maps, or floodplain management criteria. Submitters are requested to use the following format:

Issue: Briefly state the issue in one or two sentences.

Description of Issue: In one or two paragraphs, explain the issue, why it is a problem, and where it affects the Program and its materials.

Suggestions: Briefly but completely state the specific suggestions for addressing the issue, and the benefits to the NFIP of adopting the suggestions.

The call-for-issues will be published in the Federal Register and will be posted on the FEMA/NFIP website. ■

Achievements of NFIP Partners Honored at Flood Conference

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Public Awareness Materials Winners for 1998

Brochures	Union American Insurance Company
Envelopes	Illinois Department of Natural Resources
Kits	First Community Insurance Company
Mailing Inserts	The Travelers Insurance Company
Posters	Union American Insurance Company
Print/Video Advertisements	Hartford Underwriters
Specialty Items	Union American Insurance Company
Spanish Language Materials	Bankers Insurance Company
Training Materials	USAA
Newsletter	National Con-Serv., Inc.

At this year's conference, there were 51 entries in 10 categories. Winners of the Public Awareness Materials Contest are listed above by category.

Special Award Given to Honor Partnership Building

The National Flood Conference Committee presents an award every year to an individual whose extraordi-

nary hard work has created strong connections among the NFIP and its partners. The award is named for Donald L. Collins, a dedicated FIA executive who spent more than 20 years building close working relationships with the NFIP's private sector partners before he passed away in 1995.

The Donald L. Collins Partnership award was accepted by Herb Mitchell on behalf of Bernard Kulik, Associate

Administrator for Disaster Assistance at the Small Business Administration (SBA), a Federal agency that offers, among other things, low-interest loans to help individuals and businesses of all sizes recover and rebuild in the aftermath of a disaster.

For almost 20 years, Mr. Kulik has worked with FIA on a wide range of projects designed to increase access to and retention of flood insurance so that home and business owners will have the financial coverage they need in the event of a flood disaster. Not only has he promoted flood insurance through his agency, but Mr. Kulik has aligned SBA policies and procedures with the NFIP to facilitate the claims adjustment and payment process after a flood occurs.

New Award Made to Recognize Lenders

A new award was presented at the 1998 conference to commemorate the
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FEMA Director Witt Launches National Roll-Out of *Project Impact* to Reduce the Effects of Disasters Nationwide

On June 3, 1998, Federal Emergency Management Agency (FEMA) Director James Lee Witt launched on a national level the agency's initiative, ***Project Impact: Building a Disaster Resistant Community***, and invited 50 localities to become the initiative's first disaster-resistant communities. The announcements were made during Director Witt's

"Morning Newsmaker" briefing at the National Press Club in Washington, DC.

Project Impact is a national effort to reduce the human and economic costs of disasters. The initiative challenges communities across the nation to assess their exposure to natural hazards and to build local partnerships for protecting families, businesses, and communities by preparing for, and reducing the damage of, natural disasters.

"Natural disasters cost this country too much in dollars, infrastructure loss, and a sense of emotional and community well-being," said Director Witt. "We must put an end to the damage-repair-damage-repair cycle. ***Project Impact*** represents a new vision for the way America deals with disasters."

New Initiative Built on Cooperation

The first 50 communities contacted will form a peer-to-peer network to exchange information about ways to better prepare for natural disasters. In each community, a partnership of government, business, and private citizens



James Lee Witt
Director, FEMA

will provide funding, in-kind services, technical support, and labor to undertake disaster-resistance activities. FEMA will provide funds and technical support to participating states.

"I applaud the 50 communities invited today for the actions they've already taken to prepare for future disasters

in their hometowns, and I encourage

them to expand their efforts by joining FEMA in this ground-breaking initiative," said Director Witt.

The national launch of ***Project Impact: Building a Disaster Resistant Community*** follows the successful demonstration of the program in seven pilot communities. Selected for their geographic and demographic diversity, the pilot sites include urban, rural, coastal, and riverine areas: Allegheny County, Maryland; Deerfield Beach, Florida; Oakland, California; Pascagoula, Mississippi; Seattle, Washington; Tucker and Randolph Counties, West Virginia; and Wilmington/New Hanover County, North Carolina.

In each pilot community, local partners have embraced ***Project Impact*** and have undertaken actions to protect themselves against disasters where they live and work. Americorps volunteers have coordinated disaster reduction projects—such as earthquake retrofitting of low-income and elderly housing units in Oakland, California. Home Depot produced a disaster relief display in Deerfield Beach, Florida, and has offered Product Knowledge courses for local homeowners on steps

they can take to protect against future storm damage. The Merchants and Marine Bank in Pascagoula, Mississippi, offers a special home improvement program through FHA Title 1 loans that provides below-market rates for homeowners to use for retrofit work such as workable shutters and tie-downs. An overview progress report of the pilot communities was released at the National Press Club briefing.

What *Project Impact* Means to You

Business leaders like you—insurance companies, agents, and lenders—can play an important role in getting your community involved in ***Project Impact***. As an NFIP stakeholder, you understand the concept of taking responsibility for disaster planning at both the community level and the individual level. Many of you have helped communities adopt and enforce the ordinances required for participation in the NFIP, and all of you have encouraged people to buy National Flood Insurance.

The NFIP already has achieved much of what FEMA wants to accomplish through ***Project Impact***: reducing the loss of property and lowering disaster costs. Through partnerships with communities, the insurance industry, and the lending industry, the NFIP helps reduce flood damage by nearly \$800 million a year.

The damage-repair-damage-repair cycle must end. We can help end it through programs like the NFIP and initiatives like ***Project Impact***. Together, we can help more people help themselves. If you live or work in one of the 50 communities invited to participate, we encourage you to get involved with ***Project Impact*** today.

Additional information is available on the FEMA World Wide Web Internet Site (<http://www.fema.gov>).

Susceptibility of Elevated Buildings In A Zones

Floodwaters can create tremendous pressure on buildings, especially the hydrostatic pressure exerted by the weight of standing floodwater. When floodwaters press in on enclosed areas of buildings, something often gives. In far too many cases, what gives are the building's walls, floors, and sometimes even foundations.

Appropriate design and construction techniques can lessen the effects of floodwaters on the lowest floors of a building. NFIP regulations include building design criteria that require the lowest floors of residential buildings located in A Zones within Special Flood Hazard Areas (SFHAs) to be constructed at or above Base Flood Elevation (BFE). Non-residential buildings constructed within A Zones in SFHAs must also have their lowest floors at or above BFE or be made watertight up to or above BFE. Both types of buildings, when elevated on piers, columns, piles, or extended foundation walls, are protected from flooding, but their foundations and any enclosures below BFE used for parking or storage areas remain vulnerable to flood forces.

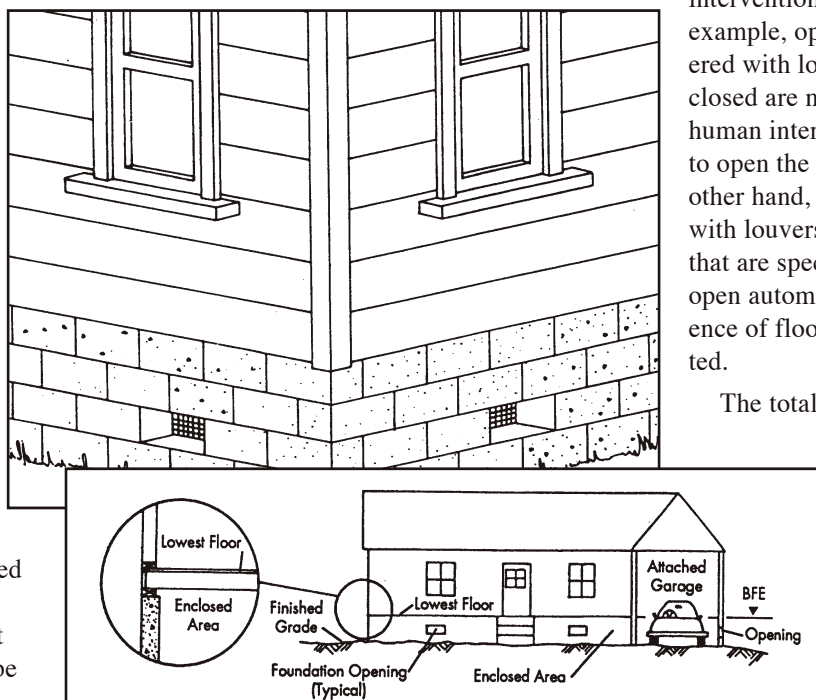
If they are not designed to withstand the hydrostatic pressure of floodwaters, foundation walls and enclosure walls can be weakened or even fail, damaging the building. For this reason, NFIP regulations require that foundation and enclosure walls for buildings located in an A Zone be equipped with openings that will permit the automatic entry and exit of floodwaters. These openings allow floodwaters to reach equal levels on both sides of the walls, thus lowering the potential for damage from hydrostatic pressure.

All Post-FIRM construction—buildings constructed after the initial Flood Insurance Rate Map (FIRM) became effective—and substantially improved buildings, constructed in A Zones, must contain the required openings.

4. Any louvers, screens, or other opening covers must not block or impede the automatic entry and exit of floodwaters from the enclosed area.

The term “automatic” means that floodwaters must be able to pass through the opening without human intervention of any type. As an example, openings that are covered with louvers that can be closed are not permitted since human intervention is required to open the louvers. On the other hand, openings equipped with louvers or other coverings that are specifically designed to open automatically in the presence of floodwaters are permitted.

The total area of openings can be reduced below that stipulated in criterion 1 above only if the design is certified by a licensed design professional.



All Openings Are Not Created Equal

Typically, designs for meeting the openings requirement do not need to be certified by a registered professional engineer or architect. Non-engineered openings must meet or exceed the following criteria:

1. The total area of all openings must be at least 1 square inch for each 1 square foot of enclosed area.
2. There must be a minimum of two openings on different sides of each enclosed area. If a building has more than one enclosed area, each area must have openings on exterior walls to allow floodwaters to enter directly.
3. The bottom of each opening can be no more than 1 foot above the adjacent grade.

Openings in Attached Garages

Buildings located in A Zones within SFHAs, that have their lowest floor at or above BFE, may also have structurally attached garages with floor slabs below the BFE. This usually creates an enclosed area that requires openings either in the exterior walls of the garage or in the garage doors themselves in order to meet the NFIP openings requirement.

Inspecting and Rating an Elevated Building

Rating elevated buildings correctly is dependent upon understanding the openings requirements. If a building is improperly rated, the policyholder not only will experience a delay in claims processing and payment following a flood, but in most cases also

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Using the Coastal Barrier Resources System Database

*Stephen Kalaf
Director of Quality Control and
Coastal Barrier Coordinator
Dewberry & Davis, a FEMA technical
evaluation contractor*

In 1983, FEMA published the first Flood Insurance Rate Map (FIRM) that identified areas protected by the Coastal Barrier Resources System (CBRS). The concept of Coastal Barriers has been difficult for many to understand, and, for 15 years, insurance agents, lenders, and homeowners have struggled with the procedures for determining whether or not a particular building is eligible for NFIP flood insurance.

Confusion about the CBRS has resulted in situations such as that on Topsail Island, North Carolina, where Hurricane Fran destroyed hundreds of homes in 1996. Some flood insurance policyholders from Topsail Island discovered, when they filed claims for flood losses following the storm, that the flood insurance on their homes had been issued inappropriately and that their claims could not be paid.

A variety of initiatives have addressed problems with the CBRS, most notably the generation of a national database of all FIRM panels that contain CBRS areas. Internet users recently were given access to this database, including a "readme" file that defines the data fields, through the NFIP website. Website visitors may download the database in a variety of popular formats including Excel, Access, dBase, Lotus, Quattro Pro, ASCII, and PDF. In addition, the

entire national database soon will be available in printed format from the FEMA Fax-on-Demand System by dialing 202-646-FEMA.

The CBRS database contains a multitude of information including the Community Identification (CID) number and Federal Information Processing Standard (FIPS) code associated with each community that contains CBRS areas; the actual CBRS unit numbers present on each FIRM panel; the FIRM date and map suffix of each CBRS FIRM panel; and, most importantly, the earliest CBRS date associated with each CBRS on the FIRM panel. This last item is notable in that a database user may determine the earliest CBRS effective date for each FIRM panel to compare against the date of construction or substantial improvement of a subject structure that is pending approval of flood insurance coverage.

For example, when a flood insurance policy is requested, and the agent has determined the community and FIRM panel number for the location, he or she can then compare it to the CBRS Panel Database to determine if the building is located on a FIRM panel that has CBRS areas. If the building was constructed or substantially improved after the CBRS designation date (shown on the database in the column "Earliest CBRS Date on Map"), it will be necessary to locate the building on the appropriate FIRM panel to determine where the CBRS boundary is in relation to the structure. However, an insurance agent may

choose to check flood insurance eligibility on the basis of location before using the CBRS database. If the FIRM reveals that the building in question clearly is not in the CBRS, then the date of construction or substantial improvement in relation to the CBRS effective date is not necessary to determine eligibility for insurance through the NFIP.

Development and distribution of this database is intended to serve as an additional tool for agents to use in determining flood insurance eligibility for risks located in CBRS communities. In an effort to make this resource available to all flood insurance agents, a one-time-distribution, paper copy of the entire CBRS database, including the readme file, will be sent to all Flood Insurance Manual subscribers, free of charge in the near future.

Additionally, consolidated CBRS Q3 flood data is now available on a set of five CD-ROMs. The CD-ROMs contain previously published Q3 flood data plus some new and updated Q3 flood data files. The Q3 flood data, designed to be used with GIS software, shows the approximate locations of 1 percent and 0.2 percent annual chance floodplains, community boundaries, FIRM panel boundaries, and external boundaries of CBRS areas. These CD-ROMs are available for \$50 each, or \$200 for the complete set of five, from the FEMA Map Service Center. To order, call 1-800-358-9616. ■

Susceptibility of Elevated Buildings In A Zones

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will have to pay the missing premium on a misrated policy before the claim can be paid.

It is very important that agents check the elevation and openings of their client's building on-site before writing the flood insurance policy. During the on-site inspection, double

check to see what information the surveyor put on the Elevation Certificate, and be sure to clarify any disputed information. When a claim is made, it is the agent who may be held accountable if a building is rated improperly. The agent can recommend modifications to existing buildings, such as the

addition and proper placement of openings, that will produce a savings in a property owner's premium and reduce potential flood damage.

Although the NFIP does not offer any specific inspection guidelines for agents, there are a number of options

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Cover America Update

In May 1995, FIA hired Bozell Worldwide, Inc., to plan and implement the Cover America campaign. Goals of this campaign included improving awareness of and attitudes about the NFIP and flood insurance, stimulating demand for flood insurance, and providing opportunities for insurance agents and WYO companies to participate in and build on the messages delivered. This 43-month contract is close to completion. How have we done, and where are we headed? Read on for details.

Awareness and Attitudes

Through market research, we were able to establish the baseline of awareness at the beginning of the campaign, October 1995. At that time, awareness of the NFIP was 48 percent. Between October-December 1997, awareness of the NFIP reached an all-time high of 67 percent. However, in research conducted between January-April 1998, awareness was 57 percent.

Awareness of flood insurance advertising has increased from 12 to 18 percent for consumers. Given that a 4 percent increase for consumers is considered significant, this 6 percent increase is excellent. Message recall regarding the availability of flood insurance has reached 32 percent, up from 20 percent in March 1996.

Attitudes about the NFIP have also improved throughout the course of the campaign. The baseline of favorable attitudes about the NFIP at the beginning of the Cover America campaign was 18 percent among the survey respondents. Research conducted from January-April 1998 showed that favorability of the NFIP increased to 30 percent among all survey respondents. Further, of those who were aware of the NFIP and had seen the flood insurance ads, favorability was even higher: 55 percent, up from 39 percent at the benchmark survey.

Demand for Flood Insurance

Demand for flood insurance is increasing. More and more people are seeking information about flood insurance to protect themselves in the event of a flood.

One of the ways we help people obtain more information about flood insurance, including getting the name of an insurance agent who writes flood insurance, is by providing a toll-free telephone number in all of our advertising and communications. The call-to-action encourages people to contact their insurance agent or the NFIP.

All calls to the NFIP generated by the campaign are answered at the

actively participate in the Leads Program.

From October 1995 through June 1998, Cover America's advertising and public relations activities have generated:

- More than 300,000 phone calls to the NFIP toll-free number from people inquiring about flood insurance
- Close to 62,000 leads to insurance agents, with 23,374 referred to NFIP Leads Program agents and 38,623 referred to callers' own agents (the latter have been recorded only since November 1996)



NFIP Telephone Response Center (TRC). During calls, TRC staff ask if the caller has an insurance agent. If the caller does, he or she is referred back to his or her own agent. If the caller does not already have an agent or needs one to write flood insurance, TRC staff turn to the Leads Program Agent database to provide the caller with the name of an agent who writes flood insurance in the caller's area. Then, TRC staff contact the agent to provide him/her with the name and telephone number of the referral so he/she can contact the potential flood insurance customer.

The Leads Program is a database of insurance agents who have voluntarily signed up to receive leads and to follow up with these people who need an agent to write a flood insurance policy. More than 26,000 insurance agents

- More than 55,000 print responses (as of December 1997)

As noted above, the call-to-action encourages people to call either their own agent or the NFIP. At this time, we are able to track only responses to the NFIP. An independent evaluation of Cover America performed by Gallup and Robinson, Inc., notes that since responses to agents are not tracked, it is likely that there are many more people who contact their own agents directly, making the figures above very conservative for the overall effectiveness of the campaign.

Tie-in Opportunities

The NFIP has historically produced collateral materials for NFIP stakeholders to order free of charge for targeting their own clients and customers. While new collateral mate-

rials, such as stuffers, brochures, and ad slicks, have been produced with the same messages and images as the national campaign, we wanted to offer another method that our insurance industry partners could use to tie in to the campaign.

In January 1996, the NFIP Co-op Advertising Program was first offered, whereby insurance companies and agents could share flood insurance advertising costs with the NFIP. When an insurance company or agent ran an approved flood insurance ad, the NFIP would reimburse 50 percent of the advertising costs.

This program has evolved over the past couple of years, and has become increasingly popular. A new component was added in Fiscal Year 1998 in response to Co-op participants' requests: a 25 percent reimbursement for insurance companies and agents who run an approved flood insurance ad that includes a sentence about other lines of insurance they sell.

Through the NFIP Co-op Advertising Program, hundreds of insurance agents and companies placed almost 4,000 flood insurance ads in newspapers, magazines, Yellow Pages, and television.

What's New This Year?

Findings from new and continued research are helping us make the Cover America campaign even stronger. New print, television, and collateral materials have been designed to help overcome the public's denial of their own personal flood risk.

Research

While the Cover America campaign is designed to reach all audiences, we are working to better target some of our efforts to those who may be more predisposed to the flood insurance message. To increase our understanding of the groups that would be most likely to purchase flood insurance, we conducted an analysis of the broad population.

On the basis of the research findings, we have updated our advertising and public awareness campaign with new television and print advertisements and collateral materials targeting these groups, yet still providing information relevant to the general population.

New TV Commercials

Two new TV commercials focus on the changing weather patterns that have been causing floods in unexpected places. Both spots encourage viewers to call their insurance agent or the NFIP for more information.

The first new spot is called "Weather Expert," and features a TV meteorologist theme to remind people about changing weather patterns and the unpredictability of floods. The 30- and 60-second versions of the ad began airing in March on national cable stations and have received limited exposure on all three networks - ABC, NBC, and CBS.

The second new commercial highlights **Project Impact**, a FEMA initiative to help local communities change

the way they prepare for disasters, including floods. FEMA Director James Lee Witt, who appears in the commercial, stresses the importance of purchasing flood insurance for protection against flooding - one of the most common natural disasters. This commercial, called "Classroom," is alternating with the "Weather Expert" spot on major news and cable outlets such as CNBC, CNN, Court TV, Good Morning America (ABC), Headline News, MSNBC, and World News Tonight (ABC). "Classroom" is also being shown exclusively on The Weather Channel.

New Print Ads

Two new print ads also were produced, again focusing on the theme of how changing weather patterns are making more people vulnerable to floods. The first new print ad shows an aerial shot of a flooded living room. The headline says, "You can't prevent a flood, but you can prevent a disaster." The second new ad shows a bird with its babies in a nest floating down a flooded street. The headline in this ad says, "Anyone's home can be flooded." These new ads are being placed in news, home

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You can't prevent a flood, but you can prevent a disaster.

Think you'll never be flooded because you don't live near water or live high on a hill? Just listen to the news. Experts report that weather patterns are changing fast, and you can't predict when a flood is coming. In fact, last year, two out of three federal disaster areas were flooded. And another major disaster, a flood, came from an area no one considered high risk. The only thing worse than a flood is finding out that you don't have flood insurance.

Think you can't be flooded? Think again. Even if you don't live near water or live on a hill, and believe you're safe from floods, just listen to the news. Experts report that weather patterns are changing fast, and you can't predict when a flood is coming. In fact, last year, two out of three federal disaster areas were flooded. And another major disaster, a flood, came from an area no one considered high risk. The only thing worse than a flood is finding out that you don't have flood insurance.

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NFIP FEMA

PLANS ARE THE FIRST INFORMATION ABOUT FLOOD INSURANCE
1-800-CALL-FLOOD or 746
 For more information, call 1-800-354-7771 or visit us online at www.flood.gov

New print ads for the Cover America campaign.

Cover America Update

(continued from page 13)

improvement, and financial planning magazines.

New Collateral Materials

To help NFIP stakeholders tie-in to the new advertising themes, collateral materials with the same messages and images are also being developed. This autumn, the following new collateral materials will be available to you: two counter cards, two stuffers (one targeting consumers, the other targeting small businesses), and an ad slick. (Other ad slicks developed are still available.)

Direct Mail Targeting Homeowners

The NFIP is planning a direct mail campaign to 300,000 homeowners this fall. The mailing will include a new brochure about National Flood Insurance and a reply card for recipients to mail back for additional information about the NFIP. Recipients will also be encouraged to call their insurance agent for information about purchasing a flood policy.

The brochure developed for this mailing uses messages and images that are consistent with those used in the new TV and print ads. The cover says, "Weather patterns are changing, and so are your chances of being flooded."

Co-op Program

The NFIP Co-op Advertising Program is continuing this year. Through this program, insurance companies and agents can split their advertising costs for any approved flood insurance print or Yellow Pages display ads with the NFIP. Other types of flood insurance advertising, such as television, billboards, and direct mail, are considered on a case-by-case basis.

All flood insurance advertising through the Co-op Program must be approved before it runs. For more information, call the NFIP Co-op Manager at 1-800-564-8236.


Hurricane Season Activities

In June, to encourage those at risk to purchase flood insurance, the NFIP released an article, "Facts You Should Know About Hurricanes," to 10,000 newspapers across the nation.

Additionally, a recorded Spanish-language radio spot began airing in Hispanic communities in hurricane-prone states in late June, and English live-read radio scripts aired in hurricane-prone areas as well.

Make This Campaign Your Own

We encourage you to continue to take advantage of the Cover America campaign. Send the collateral materials to your clients who do not yet have flood insurance. Use the Co-op Program to reach out to people in your community to let them know that they can buy flood insurance from you. When talking to your clients, ask them if they have seen the recent NFIP ads as a lead-in to a discussion about the value of flood insurance.

Public awareness is increasing. With the combination of news stories about changing weather patterns and the new advertisements that reinforce that message, more and more people are becoming interested in protecting themselves with flood insurance. Make sure you are ready for increased flood insurance business! 

Editor's Note

Watermark is a publication intended primarily for insurance agents who write flood insurance, but it contains information about the NFIP that may be helpful to other groups involved with the program. We want to make sure that we are providing information that meets your needs. We welcome your comments and suggestions, as well as submissions for articles and departments. Additionally, we encourage you to reproduce articles and departments contained in the **Watermark** and include them in your own newsletter or other communication.

Send your questions, comments, suggestions, and submissions to Amie Coxon Ware:

Federal Emergency Management Agency, MWEAC
Building 205
P.O. Box 129
Berryville, VA 22601
Fax (540) 542-4132

Members of Congress with questions about the National Flood Insurance Program, please write to:

Federal Emergency Management Agency
Office of Congressional Affairs • Room 820
500 C Street, SW
Washington, DC 20472

Rates Revised for New AR Zones in California

Residents of 16 California communities will not have to pay the much higher rates for their buildings located in newly designated high flood risk zones as planned. Flood Insurance Rate Maps (FIRMs) with a new AR Zone designation were released for 14 Los Angeles-area communities and 2 Sacramento-area communities on July 6, 1998. The U.S. Army Corps of Engineers has determined that existing levee systems in these areas are inadequate to protect them if significant flooding occurs. The new AR Zone is a temporary FIRM designation that indicates a "high flood risk" while improvements are being made to levee systems. When the flood protection system is complete, FEMA will revise affected FIRMs and remove the AR designation.

Federal law requires that communities participating in the NFIP ensure that new construction in flood hazard areas meets minimum building standards to protect property from flood damage. In addition, Federally regulated lenders must require flood insurance on loans for buildings in Special Flood Hazard Areas, including the new AR Zones. Property owners also are required to purchase flood insurance as a condition for receiving certain types of government disaster assistance.

Working closely with a Congressional delegation for the impacted communities, FEMA Director James Lee Witt has decided to revise the rate increase that would have nearly doubled the premium costs for flood insurance in the newly designated AR Zones. He is urging lending institutions and insurance companies to develop premium financing options for property owners in these areas who are unable to pay their insurance premium in one lump sum. Lending regulators were asked to encourage lending institutions to utilize financing options available through the loan and escrow

process. Paying flood insurance premium costs on a credit card also enables policyholders to spread payments out over time.

The new AR Zone rates will be about 50 percent of what full-risk premiums would have been. The rate increase that had been scheduled for AR Zones would have raised the annual premium for a policy providing \$100,000 of flood insurance coverage to \$595 for a single-family residence. However, by delaying the rate increase, the current cost for that same level of coverage is \$306. Lending institutions require flood insurance in an amount equal to the outstanding loan on the property, which in many cases is less than \$100,000. The annual premium for a policy providing \$75,000 in coverage remains at \$281; \$50,000 in coverage is \$256; and \$25,000 in coverage is \$171 in the current zone.

Those property owners who purchased a policy prior to July 6, 1998, automatically "grandfathered" the rate zone under which the policy was written and will maintain this rate zone as long as the policy does not lapse. This means that property owners whose buildings are located in FIRM zones designated X or C in Los Angeles or A99 in Sacramento will continue to pay premiums based on this original designation rather than premiums based on the AR Zone designation that was effective on the FIRM after July 6, 1998.

FIA recommends that, until FEMA is able to put into place a separate AR Zone rate table (possibly by May 1, 1999), the following procedures be used by all insurance agents and companies that write NFIP policies when rating AR zones.

- Use the A99 rate table when rating policies in AR Zones and AR Dual Zones unless taking advantage of elevation rating (though most policies will not be elevation rated).

- Until notified otherwise by FIA, code non-elevation rated policies as A99 at least for Transaction Record Reporting and Processing (TRRP) Plan reporting, if not for internal company processing.
- Follow the coding of the policy for the policy deductibles, Increased Cost of Compliance (ICC) premium, and Community Rating System (CRS) discounts. CRS discounts for AR policies will be limited to the 5 percent CRS discount available to A99 policies.

The NFIP Bureau and Statistical Agent will update the Community Master File for all affected communities to show A99 as a valid zone. WYO companies will receive the community information update using current procedures.

Elevation rating for AR and AR Dual Zones will continue to be available if favorable to property owners. In most cases, the lowest floor elevation must be at least one foot above the Base Flood Elevation to qualify for rates lower than the new AR Zone rates. These policies should be coded as AR or AR Dual Zone in order for the proper rates to be selected. WYO companies must follow the AR Zone processing procedures provided in the May 1, 1998, manual revisions if elevation rating is used. Policy deductibles, ICC premium, and CRS discounts will follow the coding of the policy and will not be subject to the CRS discount limitation for A99 Zones.

Southern California communities affected by the new AR Zone designation on flood maps include parts of Bellflower, Carson, Compton, Downey, Gardena, Lakewood, Long Beach, Los Angeles City, Los Angeles County, Lynwood, Montebello, Paramount, Pico Rivera, and Southgate. The city and county of Sacramento in northern California also have been designated an AR Zone. ■

Grand Forks Summit Participants Continue Work on Flooding Issues

Three goals of the Flood Insurance Summit held in Grand Forks, North Dakota, in August 1997 were to (1) analyze and better understand the Grand Forks flooding, (2) determine the implications of the Red River Valley flood and its results to other communities, and (3) propose improvements to the flood insurance delivery system. In the year that has followed the Summit, work has continued at State, regional, and national levels to address these goals.

NFIP stakeholder organizations participating in the Summit agreed to add to their operating agendas the suggestions raised at the Summit. A check with these groups showed that several of the Summit ideas already were on their agendas and that more ideas were added by members who had attended the August 1997 meeting. The organizations listed below are working on Summit issues:

- Community Rating System (CRS) Task Force
- FEMA's Federal Insurance Administration (FIA)
- FEMA's Mitigation Directorate
- Flood Insurance Producers National Committee (FIPNC)
- Flood Insurance Servicing Companies of America Association (FISCAA)
- Institute for Building and Home Safety (IBHS) Flood Committee
- National Association of Insurance Commissioners (NAIC)
- National Lenders' Insurance Council (NLIC)
- North Dakota Insurance Department

- Technical Map Advisory Committee (TMAC)
- Write Your Own (WYO) Marketing Committee

During the 1998 National Flood Conference, members of the Summit Planning Committee, with backgrounds in insurance, lending, training, government, business, marketing, claims, and financial areas, held a dinner meeting to assess progress made since the Summit. After reviewing accomplishments of the past year and future goals, Committee

members agreed to continue working through the organizations and committees they represent to increase the number of people who are insured against future flood disaster. Summit Planning Committee members will meet again during next year's National Flood Conference.

According to the Committee, accomplishments to date include the following:

Training and Education

- The NFIP introduced the Basic Agent Tutorial in CD-ROM format; a workbook version will be developed for use in NFIP training.
- NFIP mini-conferences will continue in *Project Impact* communities; greater numbers of local officials will be invited to participate.
- The North Dakota Insurance Department held fall forums for agents that included flood insurance training.

- The WYO Marketing Committee's FIPNC representative drafted a flood insurance training module for agents.
- FIA and the WYO Marketing Committee provided the NAIC with sample flood insurance questions for state licensing exams.

Simplification

- A task force was formed to rewrite the Standard Flood Insurance Policy.
- Working with FIPNC, ACORD produced form number 60, Flood Insurance Notice/Rejection.

Flood Mapping

- FEMA's Mitigation Directorate issued a report entitled "Modernizing the Flood Hazard Mapping Program."
- The TMAC will participate in activities to educate more surveyors, architects, and engineers about Elevation Certificates.

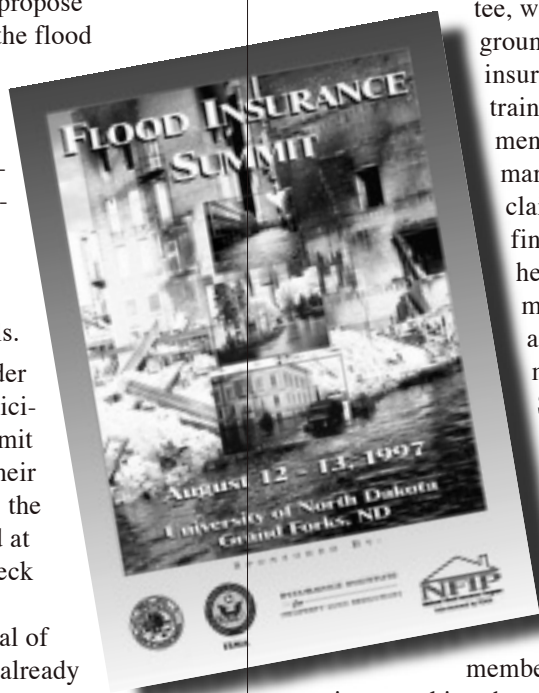
Advertising and Public Relations

- FIA's nationwide Cover America campaign continues to reach consumers with new commercials, advertisements, and collateral materials that promote flood insurance.
- News media that cover small businesses have been targeted with press materials to publicize and increase awareness of the NFIP's business insurance coverage. Also, new NFIP ads are being placed in small business publications.
- Websites at FEMA and the NAIC now provide information on flood insurance, as do many insurance company websites.

Other Areas

- Flood Insurance Summit findings were distributed at an NAIC meeting.
- The NAIC included new FIA Administrator Jo Ann Howard in a press conference on disasters.

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Coast To Coast

Basic Agent Tutorial Available on CD-ROM

Agents soon will be able to receive training on NFIP policies and procedures simply by inserting a CD into their computer CD-ROM drive. The Basic Agent Tutorial (or "BAT") CD-ROM is a computer-based training tool designed to give agents new to the NFIP the building blocks needed to develop a better understanding of regulations, practices, and procedures for writing flood insurance policies.

The BAT CD-ROM uses video and text files to illustrate important flood insurance issues in an interactive format. A narrator guides the user along, introducing topics such as flood zone determinations, rating, and marketing. Programmed quizzes can be taken at the agent's own speed and convenience. An ongoing agent-and-client interview is intercut with informative topic sequences to illustrate what an actual discussion about flood insurance requirements and opportunities might involve.

The CD-ROM medium individualizes the training setting and allows the process to be interactive. Just by clicking a mouse, the user can move to any section of the tutorial, take quizzes when ready, and review any section as deemed necessary. The convenience of BAT on CD-ROM will help make learning the details of flood insurance easier, more convenient, and a lot more fun. Information on how to order BAT will be provided soon.

National Hurricane Conference held in Norfolk, Virginia

NFIP experts answered questions and distributed literature at the National Hurricane Conference held in Norfolk, Virginia, in early April 1998. More than 1,500 emergency management personnel on the Federal, State,

and local levels attended the conference. The *Answers to Questions About the National Flood Insurance Program* booklet and the 1998 *Worst Guest List* flyer of this year's hurricane names were the most popular publications at the NFIP booth.

On April 7, a day-long NFIP

Claims Workshop was held for insurance adjusters, who assist NFIP policyholders in preparing damage estimates after a flood. The workshop addressed the policy and adjusting issues of restoring property damaged or

destroyed by floodwaters. Also featured were presentations on the Dwelling Policy, the General Property Policy, the Residential Condominium Building Association Policy, and the Increased Cost of Compliance coverage. Almost 70 adjusters representing 26 claim firms attended the workshop.

Flood Insurance Forum for Realtors Held in Wilmington, North Carolina

Flood insurance is a hot topic in the *Project Impact* community of Wilmington, North Carolina. To help those involved in the selling of improved real estate better understand the NFIP, the Wilmington Regional Association of Realtors, Inc., sponsored a Disaster Insurance Seminar on May 13, 1998. More than 150 member Realtors attended this half-day conference, held at the University of North Carolina at Wilmington. Donna L. Girardot, Governmental Affairs Director of the Association, organized and chaired the conference. She was assisted by Roger Widdifield, Marketing Manager for the NFIP Bureau and Statistical Agent in Region IV.

Bob McKoy, President of the Association, opened the conference. Presentations followed by Dexter Hays, Planning Director, New Hanover County; Dascheil Propes, Chief Deputy Commissioner, North Carolina Department of Insurance; Mary Ellen Stevens, Constituent Service Representative for Congressman Mike

McIntyre of the U.S. House of Representatives; Lena Thompson, Program Analyst and Lender Compliance Officer, FIA; and Roger Widdifield, NFIP Bureau and Statistical Agent, Region IV. Susan Wilson, FEMA Region IV Insurance Liaison for North Carolina, spoke about current mapping issues and NFIP floodplain management regulations involving the Coastal Barrier Resources Act areas in and around Wilmington.

According to McKoy, the Association received only positive comments about the seminar and the information that was presented. In a letter to the NFIP Bureau and Statistical Agent, he expressed his appreciation for providing area Realtors with information essential to the region and to their careers.

Minnesota Flood Forums Bring Home NFIP Message

Despite record snowfalls, a FEMA media blitz, and other warnings, too few property owners carried flood insurance in Minnesota during the Upper Midwest Floods of 1997. According to David Gruenes, Minnesota's Commissioner of Commerce, Minnesota's flood insurance penetration rate hovers around 0.3 percent, which means that for every 1,000 people, just 3 have purchased a flood insurance policy. This is a lower rate than in any other state in the Midwest.

Gruenes was appointed to chair a state-level flood recovery task force that has taken as its primary focus the need for better awareness within the business segments under his department's control. Minnesota's Department of Commerce is unique in that it regulates the activities of a number of different industry segments that include state-chartered banks and financial institutions, insurance agents, real estate agents, appraisers, and building contractors. To provide these groups information before another flooding disaster occurs, the Minnesota Commerce Department, the NFIP's Bureau and Statistical Agent

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LENDER NEWS

Secondary Lenders

With an increase in home mortgage loans, home equity loans, and second mortgages throughout the country, there is increasing concern on the part of the lending community about homeowners who do not maintain sufficient amounts of flood insurance coverage. Consider the following scenario:

Mr. and Mrs. John Q. Public choose to apply for a \$50,000 secondary loan instead of a home equity loan to do some home improvements and take a dream vacation. Although their first mortgage is with ABC Bank, they apply for the second mortgage from XYZ Bank because it is offering a lower interest rate.

The Publics currently have \$50,000 of flood insurance coverage on their \$100,000 home. Because of the NFIP's mandatory purchase provisions, the loan officer at XYZ Bank insists that they purchase an additional \$50,000 of flood insurance on the building to protect the Bank's interest. Mr. and Mrs. Public feel they have a sufficient amount of flood insurance

coverage already and resist purchasing the additional amount. What should XYZ Bank do?

The answer is clear.

If a secondary mortgagee determines that flood insurance is not in place or is insufficient, it is in their best interest to contact the first mortgagee to address the purchase of flood insurance as required by the National Flood Insurance Reform Act (NFIRA) of 1994. The FIA believes that it would be good business practice to require that flood insurance be purchased in an amount sufficient to protect the financial interests of all parties, i.e., the mortgagor and all mortgagees. If the first mortgagee is unwilling to cooperate, it is recommended that the second mortgagee require the purchase of flood insurance in an amount to protect the entire outstanding loan amount as a condition of granting the loan. This will protect the priority as to insurance proceeds.

Apart from NFIRA's provisions, a lender can rely on the hazard clause of the home equity or second mortgage loan document in requiring coverage in any underinsured situation.

Since only one NFIP policy can be issued on a building no matter how many loans exist, a secondary lender

must verify that any required escrow of premium is being undertaken by the primary lender or servicer. Accordingly, the lender must coordinate coverage through its borrower and the insurance agent of record.

Protection of a home equity and secondary lender's interest is accomplished by endorsement to the policy. Evidence of coverage can be confirmed by receipt of an insurance certificate from the agent or a revised declaration page from the insurer. A secondary lender should ensure that its continued interest is protected by having its name appear on the policy or by other appropriate means. If the existence of a home equity loan or a second mortgage is not made known to the WYO insurer, various appropriate notifications such as renewal and cancellation notices may not be sent to the second lender or equity lender.

Because only one NFIP policy can be issued on a building, the borrower's refusal to purchase the additional insurance limits is justification for the lender to refuse to grant the loan. And, no matter what priority its loan may be, a lender remains subject to certain provisions of the Act, including notification and Standard Flood Hazard Determination Form requirements. **M**

Coast to Coast

(continued from page 17)

Region V Office, the Minnesota Department of Natural Resources, the Independent Insurance Agents of Minnesota, and the Minnesota Bankers Association sponsored a series of eight Flood Insurance Forums. These forums were conducted around the state as part of two weekly visits in towns as small as Montevideo, whose population is just above 5,000, and as large as the Twin Cities area.

The forums were designed to generate long-term synergy among the 800 registrants from the insurance, banking, and real estate communities. The meeting format allowed members of each industry the opportunity to identify with the roles of others involved

in the flood protection and recovery process by providing an overall picture of how the NFIP functions, and by defining each stakeholder's role in the Program, whether providing a loan, showing property, or consulting a client on insurance needs. General NFIP information was provided by Tom Lutgen from Minnesota's Department of Natural Resources and Rich Slevin from the NFIP's Region V through a 2-hour presentation about basic floodplain management and flood insurance issues. Following the general session, concurrent breakout sessions were held for the balance of the half-day workshops.

Even those who were unable to attend one of the forums received at least a portion of the flood insurance message. The Department of Com-

merce notified 60,000 of its constituents about the importance of flood insurance through a four-page brochure announcing the flood forums. In it, Gruenes delivered a strong message concerning the viability of flood insurance both as a method of disaster recovery and as a sound financial planning tool.

Although Minnesota experienced dramatic policyholder growth in anticipation of this year's spring flooding, the focus of the flood forums was to make certain that property owners maintain their commitment to flood insurance. The Department of Commerce hopes this series of forums will encourage more property owners to evaluate their need for flood insurance and retain current policies. **M**

N HIGH GROUND

Why Do You Want to Purchase Flood Insurance?

*PattiJean Hooper
Faculty Member, Newhouse School of
Public Communication, Syracuse University*

"Why do you want to purchase flood insurance?" my insurance agent asked me in February 1997. "In order for your house to flood, all of Grand Forks would have to flood."

Those words carry poignant humor now, but made perfect sense at their time of delivery. I lived three-quarters of a mile from the Red River of the North. The land was flat and there would have to be more water than our community had seen in 500 years for it to reach my home. My insurance provider concluded: "My advice is to save yourself the \$250, but the decision is yours." My feeling was, I'm going to blow \$250 on something this year, so why not invest it in flood insurance? Just in case.

The circumstances leading to this conversation over flood insurance were interesting. I had been a professor teaching college for 14 years. My area of specialty is Public Relations; more specifically, not-for-profit and community-based public relations. Employed at the University of North Dakota in Grand Forks, I was teaching a course called Writing for Public Relations. One day I began class by discussing a new TV ad I'd just seen. It was FEMA Director James Lee Witt classifying our community as one which might be prone to flooding in the spring. He identified the National Flood Insurance Program and said that standard homeowners insurance would not cover flooding. The toll-free number for the NFIP followed. It was a standard 30-second spot, nothing fancy, more of a talking head commercial. It stood out in my memory not for its glamour or graphics, but for its unusual content: my home could be flooded and my regular insurance would be worthless. These commer-

cials would not be running unless the possibilities were present for disaster. I should take this seriously.

This ad fit my course content beautifully. Community-based public relations groups need to advertise but don't have a great deal of money or production to back up their messages. This was the perfect example of content taking precedence over format. These weren't Super Bowl commercials; they were community-specific messages.

In March, not long after the class discussion, the last big blizzard of the season hit. In my split-level home, my two hound dogs were able to walk out the second-story window and over to the garage to piddle.

No light came in the downstairs window, just the dark of the snow pressed against the panes. Along with the absence of light came no electricity or heat for three days. I headed downstairs to

light the fireplace but after the final stair, I was ankle deep in water. My two sump pumps had no electricity and had backed up. This posed an interesting dilemma: Do I stay upstairs and freeze, or sit downstairs with a warm fire in a puddle of water?

Remembering that my recently purchased flood insurance would not cover most contents below grade, I began to move things upstairs. An entire library, computer, and bookshelves went first. The guest bedroom and artwork came second. I had no fears of freezing for all the exercise I got. Remaining downstairs at the end of my effort were a washer and dryer, bed and couch, and a few odds and ends from the utility room. With no breathing room upstairs, lots of things ended up in the garage, above grade.

After a long day's work, my 3-bedroom home was now totally in my upper level and in the garage.

In April, the university closed after blizzard number 8 began to melt and flooding looked imminent. While sandbagging with students and community members under the Kennedy Bridge one evening, we were pulled out by the city engineer's office. Told that the National Guard would take over, we all assumed that meant they would take over sandbagging. What it really meant was that they were taking over the city; we were being evacuated. At 6:45 a.m., police loudspeakers told us to leave. Looking at my car in the driveway with water just at the

tires, I grabbed my two dogs and left my home along with all other residents of Grand Forks, North Dakota, and East Grand Forks, Minnesota. It was the first time an entire American city had

been evacuated since Civil War times! More than 53,000 people fled the floodwaters. With a population of just under 700,000 in the state of North Dakota, small towns were overrun with flood refugees. I headed to the air base.

The air base's cable station was carrying messages about adopting families with children or pets who would have a difficult time staying in shelters. Little did I know I would be staying with a host family for the next month. I was not able to gain access to my home until late May, and it was not livable until July.

I spent my days helping move books at the University Library, volunteering time at the Emergency Operations Center, helping with animal

*"My home could
be flooded and
my regular
insurance would
be worthless."*

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On High Ground

(continued from page 19)

rescue efforts, and working at the recovery radio network. The Federal Emergency Management Agency (FEMA) hired me to work Community Relations as they began to coordinate recovery efforts in Grand Forks. My evenings were spent watching news videos of our city under water. When I saw my home for the first time on the news, the bottom was clearly under water. I would have to wait to see if it had reached my first floor.

Allstate soon tracked me down; how, I don't know. I was at the base, a friend's home, and back in my house within the course of 2 months. They had even tried my family's phone in Florida. They wanted to see my home and get my flood insurance claim process started.

Two men inspected the house, garage, and car. They joined me in celebrating the fact that the water had stopped 2 inches short of my upper level! I received a check quickly and used it to help replace material objects. I was pained to watch neighbors who had kidded me about buying flood insurance deal with how they would replace lost items. The knowledge I gained from my insurance agent about what would and would not be covered caused me to move belongings above grade. It caused me to mentally and physically prepare to face a flood. It provided me with money to help me recover.

I now teach at Syracuse University in New York, and I still teach Writing for Public Relations. Every semester, I share my flood story. I always end the story with the fact that my successful recovery began with my interest in a 30-second commercial on television.

PattiJean Hooper is also a FEMA Region VIII Disaster Field Training Officer specializing in testing and curriculum development for community relations. ■

PERSPECTIVES

Words from the Web

For the second year, the FEMA website located at <http://www.fema.gov> has been selected as a "Best Fed on the Web" by Government Executive Magazine. The "Best Fed on the Web" designation honors Federal government agencies that are using the Internet to improve customer service, strengthen business practices, and disseminate useful information.

The NFIP maintains its home page on the FEMA site. NFIP website visitors can browse through a wide variety of topics introduced in the main menu. Visitors can direct specific questions to the NFIP. Excerpts from a sampling of recent questions are listed below, along with responses and comments.

Dear NFIP,

I would like to receive information about flood insurance for my apartment so I can see what it would cost me as a renter.

Ronald D. Brimmer

Dear Mr. Brimmer,

As a renter you would be entitled to purchase contents coverage for your personal belongings damaged by flooding as long as your community participates in the Program.

It is important to understand that if you are renting a house with a basement, where the lower level of the house is sub-grade (below ground) on all four sides, then there is no coverage for any personal items in the basement except for a washer, dryer, and freezer. All other items located at or above ground-level are covered up to the maximum of \$100,000. The rate would be determined by the flood zone the building is located in, the date of the building's construction, whether the building is with or without a basement, and the amount of coverage you request.

I would suggest you speak with the insurance agent you use for your other insurance needs and ask if

he/she writes flood insurance. If not, you can call this number and request the name and number of an agent in your area who does write flood insurance policies: 1-800-427-4661.

Dear NFIP,

Please inform me as to the location of the SFIP standard form policy and SFIP preferred form policy in your web system. I'd like to read the actual coverage.

Barry Fischer

Dear Mr. Fischer,

In response to your request regarding the location of the Standard Flood Insurance Policy (SFIP) on the web, if you click on "Flood Insurance," then "Library," then "Flood Insurance Manual," then "Policy," you will find the SFIP.

As for the Preferred Risk Policy (PRP), from "Library" click on "Flood Insurance Manual," then "Preferred Risk Policy." This topic will give you the eligibility requirements and rates for a PRP. As far as coverage is concerned, it is the same for any one- to four-family dwelling; the only difference is eligibility.

Dear NFIP,

I think this is wonderful that you have a website. We have been thinking about flood insurance for a few months now for our new home. I called my insurance agent and he said he did not carry it, but other agents in his company did. I thought this was strange since, according to your website, his company does handle flood insurance. I guess different agents can handle what they choose? Anyway, I dislike having two agents handling my insurance needs. But I will call around and find one who does carry it. Just need to be prepared, even though we do not live in a flood area according to the zoning office in our area.

Anyway, it was good reading about flood insurance on your website as well as how to handle a flood situation, items to prepare, etc. Thanks for being there.

J. Riley

Braving the Storm: The 1998 National Flood Conference

For 30 years the NFIP has helped provide financial protection from flood losses (see “The NFIP Turns Thirty” on page 1), and for the last 15 years, the Program has hosted an annual conference for its stakeholders—insurance agents and companies, lenders, state and local government officials, and others. This conference provides the opportunity to learn about the latest Program changes and to discuss issues impacting millions of Americans who brave the storms that each year cause billions of dollars in flood damages and incalculable suffering to flood victims. Participation has grown from 125 participants at the first annual flood conference in 1983 to more than 750 attendees at the 1998 National Flood Conference held in June at the Renaissance Waverly Hotel in Atlanta, Georgia.

Several general sessions, as well as 38 technical and educational workshops, gave participants at this year’s conference the opportunity to learn about the changing issues of flood mitigation and insurance. Interactive forums, panel discussions, and round tables provided opportunities for attendees to address specific concerns and ask detailed questions of those who set and implement NFIP policies and do the hands-on work of the Program.

Identifying the Issues: The Keynote Speakers

Bob Ross, Educational Advisor for the Florida Association of Insurance Agents and Chair of the Flood Insurance Producers National Committee (FIPNC), has had more than 50 years of experience in the insurance industry. Ross acted as master of ceremonies throughout the conference. Each day he appeared in entertaining skits that highlighted the development of the Program through the decades. He also hosted the awards ceremony.



Bob Ross, Educational Advisor for the Florida Association of Insurance Agents and Chair of the Flood Insurance Producers National Committee (FIPNC) acted as master of ceremonies throughout the 1998 conference.

Jim Richardson, a photographer who has specialized in natural hazards photography for *National Geographic* magazine, opened the conference with a compelling multi-media presentation that gave a human face to the suffering caused by floods. “There is always a sentiment among those going through a flood that they just want to get back to normal,” said Richardson. “I’ve become convinced that there is no ‘normal’ to get back to. Flooding is more normal than we’d like to admit. It snows in the winter and it rains in the spring, and it floods after that. Floods happen because we have high water. Disasters happen because we have people in the way. It has been striking to me [as a photographer of numerous floods] how many times the simple act of planning could have gotten us out of harm’s way.”

As he presented a series of stunning photo images taken during the Midwest floods of 1993, Richardson described photographing floodwaters rising along a residential street over a 28-hour period. “Floods are insidious things in that they often come at you like a slow motion freight train while your car is on the tracks. The train is only moving one mile an hour, but you can’t get your car

started, and you can’t get out of the way.” He spoke of the drama of a flood event: what residents feel when they are flooded out, what they lose, and the strength a community can gain as it pulls together to weather the disaster.

John Copenhaver, Director of FEMA’s Region IV, which includes the conference’s host state of Georgia, welcomed conference attendees and stressed the importance of the work of all flood partners. “We in FEMA realize that the key to stemming the rising cost of disasters to this country is preparedness and mitigation,” he stated. Emphasizing what can be done in communities prior to disasters to reduce their impact, he described FEMA’s latest initiative, **Project Impact**, and the role that flood insurance can play in creating disaster resistant communities in which people are assisted in helping themselves.

Glenn Pomeroy, Commissioner of the North Dakota Department of Insurance and President of the National Association of Insurance Commissioners (NAIC), reviewed the Flood Insurance Summit meeting held in his state following the major spring flooding that occurred in the Red River Valley in 1997 (see related article on page 16). He shared findings from a survey taken before the Summit was held that exposed four common flood insurance myths about why people do or do not purchase flood insurance. Pomeroy also described results from an unrelated study conducted after the Summit which discovered that 28 percent of the mortgages of those living in the floodplains requiring flood insurance were not insured. He presented some of the recommendations arising from the Summit, such as agent education, lender compliance, and improved mapping, and affirmed that the Summit Planning Committee will meet annually to con-

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Confluence

(continued from page 21)

continue the dialogue begun at the Summit last year.

Ed Pasterick, Chief of FIA's Financial Division, gave the audience a guided tour of the NFIP's first 30 years, from the original impetus to offer insurance in exchange for local floodplain management in the 1960s, through the early mapping of floodplains and regulations requiring the purchase of flood insurance for mortgages on buildings located in floodplains in the 1970s, then the creation of the Write Your Own (WYO) Program and achievement of a self-supporting program goal in the 1980s. He described the Cover America promotional campaign as well as the National Flood Insurance Reform Act of the 1990s, which strengthened the mandatory purchase requirement and created a flood mitigation fund.

Pasterick also presented future Program initiatives, including efforts to design a strategy for dealing with repetitive losses through buyouts, retrofitting, and rate incentives; completing a study of the government subsidy of flood insurance to guide policy decisions on reducing it; using WYO company input to analyze the fairness of the WYO expense allowance; identifying alternative forms of financing to smooth out periodic peaks and valleys; and working with the academic community to assess the effect of NFIP standards on local floodplain development.

Keynote speakers on the second day of the 1998 National Flood Conference offered innovative solutions to risk management and urged NFIP stakeholders to declare war on natural disasters. Robert W. Klein, Ph.D., Associate Professor and Director of the Center for Risk Management and Insurance Research at Georgia State University in Atlanta, addressed the problem of catastrophic risk and how to manage it.

"Our relationship with nature is very tenuous," said Klein. "This is a fact we tend to forget in an age when human

technology seems to be so powerful. But nature is much more powerful. We build magnificent but vulnerable structures in places that nature reclaims, and then we agonize about the resulting destruction that was both foreseeable and preventable. We need to acknowledge nature's power and learn to live with it instead of in spite of it. This battle to change our thinking about nature's perils is a difficult but necessary struggle which we have just begun."



Klein warned the audience that: "The financial losses we have suffered pale in comparison to the losses we will suffer if a major disaster strikes a highly populated area. Estimates indicate that a mega-catastrophe could impose insured financial losses that could exceed \$100 billion, not to speak of the huge losses not covered by insurance. These losses would bankrupt many insurers and impose a tremendous financial liability on all Americans. Unfortunately, the public is largely unaware of the liability that looms over us. Our attitudes and policies must change if we are going to avoid a financial disaster that will rival the public financial burden imposed by the scandalous collapse of thrift institutions."

According to Klein, to remedy the situation we must align risk burdens and risk choices, facilitate the proper

use of insurance to encourage mitigation and to finance catastrophic losses, and engage in a massive public education effort to support rational private and public risk management. "If we expect property owners to manage their risk efficiently, they must incur the full benefits and costs of their choices," he explained. "This will require 'tough love' such as the elimination of public subsidies of catastrophic losses. If we are going to subsidize anything," he concluded, "it should be mitigation and insurance, not their absence."

General Wilson C. Cooney, President of USAA's Property and Casualty Group, urged the audience to take personal responsibility for bringing natural disasters under control. With the aid of several compelling video sequences, he demonstrated how individuals and entire communities are enlisting the technology that already exists to disaster-proof their homes. General Cooney cited four areas in which the war against natural hazards is already being waged: using computer modeling and satellite technology to determine where to put levees and provide early warning for disasters; implementing programs like *Project Impact* to enhance loss prevention and mitigation efforts; educating children to carry the loss prevention message home; and pursuing more creative ways to finance catastrophic risks.

"It is our mission and responsibility as human beings to help others out," insisted Cooney. "We have to get the builders, developers, and designers together, and we've got to get the mortgage companies involved to provide incentives for homes built to survive specific perils. We've got to get academicians and government officials involved on the national, state, and local levels. Ideas can turn into magic or dust, depending on who touches them," he concluded, adding that we must hold on to an altruistic view that does not focus just on how to prevent damage, but also focuses on how to save lives.

On the final day of the conference, Andréa Ohlsson, a Partner at Bozell

Worldwide, Inc., the advertising agency that conducts the Cover America public awareness campaign for the NFIP, reported to conference attendees on the Program's marketing strategies and provided an analysis of marketing statistics and research findings. According to Ohlsson, nationwide surveys conducted between the summer of 1995 and December 1997 show that Cover America marketing has changed the mind set of many people. "When asked why they don't buy flood insurance, the most common reason people cite, is 'There is no need,'" said Ohlsson. "At the beginning of the program, 78 percent of those surveyed gave this reason, but now only 47 percent give this reason, a decrease of 31 percent!" She added that in focus groups held across the country to discuss Cover America advertisements, participants stated that they wanted to see flood scenes, but not houses washed away; they wanted facts as well as a sense of hope that they could recover from a flood; and they felt that the NFIP tag line, "We can't replace your memories, but we can help you build new ones," was honest.

Jo Ann Howard, FIA Administrator, announced her call-for-issues. "We must provide notice and opportunity to be heard," she said. "For example, we want to look at the WYO Arrangement, the expense allowances, litigation costs, but instead of having discussions about this behind closed doors or in small groups, we want it to be in the open. We are in a very good position to do amazing things in the next couple of years with your support, advice, and counsel. We won't always agree, but I encourage open debate . . . a little contention is a good thing. I like to get all the views on the table and work through them, and that is what we are going to be doing this summer."

She invited NFIP stakeholders to help her pull together and archive documents from the Program's first three decades to document the philosophies of the Program's pioneers. She suggested that these materials would be used not only as the basis for academic

studies that will enhance the Program's credibility, but also to create a foundation for new initiatives designed to make the Program more effective. "We've talked about being a self-sustaining program," she continued. "I think that we have to footnote this statement and explain it fully. As you know, we don't have capital and surplus, and we are not charging full, actuarial rates. We have to make it very clear to every new Congress what the situation is with the NFIP: what it can do, what it is doing, and what it will never do."

Valerie Voss, CNN's senior meteorologist, wrapped up the conference with a talk about weather forecasting and flooding, and offered encouraging insights on modernization efforts at the National Weather Service that will bring more attention to flood conditions before they occur.

Filling in the Details: The Interactive Sessions

Issues facing lenders, insurance agents, and WYO companies were addressed in three interactive industry forums hosted by the National Lenders' Insurance Council (NLIC), FIPNC, and the Institute for Business and Home Safety (IBHS) Flood Committee on the first day of the conference. These were followed by the first series of technical and educational workshops about issues ranging from compliance to litigation, cash flow, and the commercial market.


Dozens of technical and educational workshops were scheduled over the 3-day period to give participants the opportunity to learn the details of flood hazards and flood insurance protection. Several were repeated to allow people to attend more of the workshops. Of particular interest were workshops directed to specific audiences such as "Compliance 101," "Flood Zone Determinations," "The NFIP's RCBAP Inspection Program," a series of claims workshops for adjusters, and a series of workshops that introduced insurance agents to the NFIP. In fact, at the beginning of the conference, a special continuing education seminar was conducted

just for agents. In addition, two "Meet the Flood Pros" workshops were structured so attendees would have the opportunity to speak directly with NFIP staff experts in a number of different fields during small roundtable discussions.

Extracurricular Activities and Recognitions: The Special Touches

A preconference golf tournament sponsored by CSC Logic, Inc., kicked off the activities for early arrivals, followed the next day by a 5K/1 Mile Fun Walk sponsored by NLIC and the Salvation Army, with proceeds going to victims of flood disasters. Throughout the conference, attendees were invited to visit the dozens of exhibitor booths and special demonstrations situated throughout the hotel and to vote on their favorite public awareness materials submitted by dozens of NFIP stakeholders. A highlight of the conference each year is the awards dinner at which FIA honors those who have made extraordinary contributions to the Program and announces the winners of the public awareness materials contest (see "Achievements of NFIP Partners Honored at Flood Conference" article on page 1).

NFIP promotional literature promised that the 1998 National Flood Conference in Atlanta would be "hot" and it was, with temperatures registering in the 90s for the duration of the gathering. But shortly after the conference's closing, severe thundershowers struck, and those left in Atlanta were faced with braving yet another storm.

Next year's National Flood Conference will be held at the Denver Marriott Tech Center in Denver, Colorado, on May 16-19, 1999. If you have not attended an NFIP National Flood Conference in the past and would like to be added to the mailing list of those being sent conference announcements early in 1999, send a FAX to Becky Reardon at 301-918-1471. 

BENCHMARKS

Agency of the Year Winners Honored at 1998 National Flood Conference

Three insurance agencies were recognized at the 1998 National Flood Conference for their extraordinary efforts related to flood insurance during 1997. It is an honor to profile this year's winners of the Agency of the Year Award.

AAA Insurance Agency of Tampa, Florida, has approximately 7,200 policies in place, representing more than \$2 billion in flood insurance coverage in force. The premium growth for new policies shot up more than 54 percent for the award year, with a total growth in premium in force of more than 38 percent.

Twenty offices located in Florida and Georgia have contributed to the National Flood Insurance sales effort. In addition, five staff members from marketing, public relations, and insurance operations develop and implement marketing strategies designed to enhance flood insurance sales. The agency has positioned itself as a source of expert information about flood insurance. It has informed and educated existing agency clients and the general public about the perils of flood in a variety of ways, such as incorporating public relations activities associated with the hurricane season and El Niño into the agency's marketing campaign.

AAA Insurance Agency's in-house marketing campaigns have promoted flood insurance by using a wide range of public awareness materials such as magazine articles, general flood and tailored El Niño flyers, a TV campaign with 44 spot ads that coincided with 3 billboard displays, a credit card insert, flood protection kits, full-page newspaper advertisements, community flood seminars, and press releases. These have all been used successfully to increase public awareness of flooding and enhance the agency's flood insurance policy growth.

Kinghorn Insurance Agency of Hilton Head, South Carolina, has approximately 6,500 flood insurance policies in place, with more than \$2 billion in flood insurance coverage in force. Agency flood business has maintained a consistent growth rate of 18-20 percent for the past several years. Because flood insurance is a priority in this agency, all 30 employees participate in the cross-selling and solicitation of flood insurance business. They frequently send NFIP brochures and mailers to clients without flood insurance policies as reminders of the importance of buying flood coverage on their property to complete their protection portfolio.

The Kinghorn Insurance Agency is committed to making each employee a "Flood Insurance Expert." In 1997, the agency conducted an advanced flood insurance seminar for all employees, focusing on issues such as underwriting elevated buildings and claims handling.


This agency also promotes flood insurance through regular advertising in local and area newspapers and on radio stations, including neighborhood media outlets. Jimmy Rowe and his staff maintain close relationships with local banks, mortgage lenders, real estate agents, paralegals, and lawyers to inform potential NFIP stakeholders about the importance of flood coverage and apprise them of Program changes. Agency staff are highly visible in the community. They attend all Hilton Head Island and Beaufort County flood or ordinance meetings and participate in public discussions concerning flood insurance and community participation in the NFIP.

Warner and Company Insurance of Fargo, North Dakota, has increased its flood portfolio to include approximately 2,600 flood insurance policies,

reflecting more than \$91 million in flood insurance coverage in force.

Almost 20 people contribute to the company's continuous flood insurance marketing campaign, which employs a personal insurance survey and offer of flood insurance mailed to all agency customers every 3 years. Current NFIP policyholders also are surveyed regularly to review coverages and update policies. To reach the broader public, the agency has stocked a booth with local flood maps in the regional retail mall so that residents can locate their homes in relation to Special Flood Hazard Areas (SFHAs) and ask agency flood experts about coverage. The agency even produced two TV spots to inform area residents about the need for flood insurance in areas outside of SFHAs.

Representatives from each agency's office attend flood insurance seminars each year to keep informed of Program changes, and all agency staff receive in-house flood insurance training. As the massive flooding of the Red River developed following a rapid spring snowmelt in 1997, the agency trained its staff on claims processing procedures and produced informational packets about post-flood clean-up for all their customers. Following the disaster, agency staff continued to provide insurance and claims assistance to their clients, even though one agency office was destroyed and many staff members sustained losses of their own.

FIA thanks these agencies and their dedicated staffs for their work on behalf of the NFIP. It is the ongoing efforts of people like these that enable this Program to provide financial peace of mind to so many property owners at risk from flood loss across the country. It couldn't be done without you. 

JUST AROUND THE BEND...

Arizona	NCUA National Compliance Conference	Phoenix	September 24
California	Agent Workshop Agent Workshop NCIL Annual Meeting Agent Workshop Agent Workshop	San Francisco Monterey San Diego Marin Sacramento	October 8 October 20 November 20-22 December 2 December 9
Connecticut	Agent Workshop Lender Seminar Agent Workshop Lender Seminar Agent Workshop Lender Seminar	Danbury Danbury Yantic Yantic East Windsor East Windsor	September 10 September 11 September 15 September 16 September 22 September 23
Florida	NAMIC Annual Convention IBHS Annual Congress NAIC Quarterly Meeting	Orlando Orlando Orlando	September 20-23 October 22-23 October 5-9
Hawaii	Agent Workshop Agent Workshop	Maui Honolulu	November 3 November 5
Illinois	Agent Workshop Agent Workshop Flood Forum MBA Annual Convention Agent Workshop Agent Workshop Agent Workshop Agent Workshop Agent Workshop	Lisle Schaumburg Rock Island Chicago Harvey Crystal Lake Gurnee Elgin Chicago	October 1 October 8 October 14 October 18-21 October 22 October 29 October 5 October 12 October 3
Massachusetts	IIAA Annual Convention NAII Annual Convention	Boston Boston	September 25-28 November 8-11
Michigan	NAIC Quarterly Meeting	Detroit	September 12-16
Missouri	Agent & Lender Workshop Agent & Lender Workshop Agent & Lender Workshop Lender Seminar	Joplin Ozark West Plains Lake of the Ozarks	September 15 September 16 September 17 September 21
New Jersey	Agent & Lender Workshop Agent & Lender Workshop Agent & Lender Workshop Agent & Lender Workshop	Trenton Mt. Laurel E. Windsor Saddlebrook	September 17 October 27 October 28 October 29
Nevada	Agent & Lender Seminar	Reno	September 24
Ohio	Agent Workshop	Wooster	November 18
Oregon	Agent Workshop Lender Seminar	Newport Newport	September 14 September 15
Rhode Island	Agent Workshop	Middleton	September 18
Wisconsin	WI Governor's Emergency Management Conference	Milwaukee	September 30

For more information on these workshops and seminars, contact the appropriate NFIP Regional Office. See the back cover tear-out flap for telephone numbers. ■

The following acronyms are used in the above calendar of events.

IBHS	Institute for Business and Home Safety	NAII	National Association of Independent Insurers
IIAA	Independent Insurance Agents of America	NAMIC	National Association of Mutual Insurance Companies
MBA	Mortgage Bankers Association	NCIL	National Conference of Insurance Legislators
NAIC	National Association of Insurance Commissioners	NCUA	National Credit Union Association

MAJOR FLOODS AND FIELD NOTES

La Niña May Influence 1998 Hurricane Season

Forecasters are predicting that hurricane activity in 1998 will be average, based on figures compiled from 1950-90. According to Dr. William Gray, Professor of Atmospheric Science at Colorado State University, total season activity will include 10 named storms in this year's hurricane season, which runs from June 1 through November 30, 1998. The average number of named storms expected for the hurricane season is 9.3. Gray predicts that six of the anticipated 1998 storms will become hurricanes, and projects that two of these will be intense, reaching a level three or higher on the Saffir-Simpson Scale.

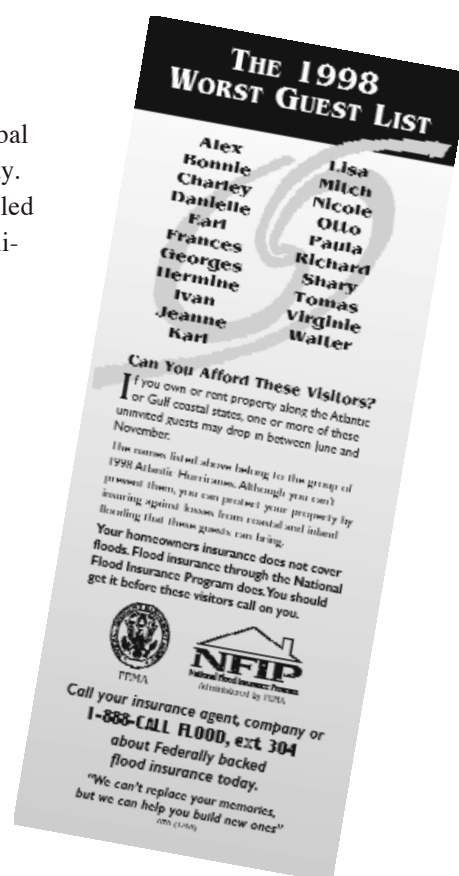
"If this 1998 hurricane forecast is approximately correct," cautions Gray, "then the 4-year period of 1995-1998 will have been the most active consecutive 4 years of hurricane activity on record. This suggests that we are entering a new era of generally greater Atlantic basin hurricane activity."

START DATE/ END DATE	STATE/ EVENT	POLICIES IN FORCE (STATEWIDE)	POLICIES IN FORCE (AFFECTED AREA)	LOSSES PAID	DOLLARS PAID IN LOSSES	PERCENT OF LOSSES CLOSED
DEC 25, 1997 JAN 30, 1998	FLORIDA GENERAL FLOODING	1,635,721	49,644	298	\$2,305,648	90.7%
JAN 5, 1998 JAN 13, 1998	ALABAMA GENERAL FLOODING	31,039	8,214	175	\$2,319,965	95.1%
JAN 5, 1998 JAN 13, 1998	LOUISIANA GENERAL FLOODING	333,224	214,713	831	\$4,358,248	97.4%
JAN 5, 1998 JAN 13, 1998	TEXAS GENERAL FLOODING	278,931	49,234	162	\$2,020,942	93.9%
JAN 31, 1998 MAR 28, 1998	CALIFORNIA - NORTHERN GENERAL FLOODING	380,546	186,539	1,734	\$25,282,062	88.4%
JAN 31, 1998 MAR 28, 1998	CALIFORNIA - SOUTHERN GENERAL FLOODING	380,546	70,639	1,207	\$10,902,204	87.2%
FEB 4, 1998 FEB 7, 1998	DELAWARE GENERAL FLOODING	14,980	13,647	304	\$2,908,294	78.2%
FEB 3, 1998 FEB 7, 1998	MARYLAND GENERAL FLOODING	47,134	33,847	257	\$1,624,029	90.4%
FEB 4, 1998 FEB 7, 1998	NEW JERSEY GENERAL FLOODING	160,994	120,394	1,018	\$9,005,088	80.5%
FEB 3, 1998 FEB 6, 1998	VIRGINIA GENERAL FLOODING	63,597	31,933	403	\$2,410,562	92.2%
MAR 7, 1998 MAR 13, 1998	ALABAMA GENERAL FLOODING	32,336	1,078	374	\$12,673,640	92.4%
MAR 7, 1998 MAR 13, 1998	GEORGIA GENERAL FLOODING	52,530	3,829	641	\$10,931,851	86.9%

El Niño, the current that warms ocean waters in the Pacific, produces global climatic conditions that tend to suppress Atlantic storm and hurricane activity. Another complex influence on this year's hurricane season is a condition called La Niña, which operates exactly the opposite of El Niño, increasing the likelihood of Atlantic storms. Although forecasters are cautious about predictions involving La Niña, at least two computer models suggest that it may occur mid-summer.

FEMA's Tropical Storm Watch page, located at <http://www.fema.gov/fema/trop.htm> on the World Wide Web, offers hurricane preparedness information, fact sheets, maps, and links to other key sites with weather satellite images and forecasts. As a hurricane approaches landfall, users can see its projected path and learn about FEMA's efforts to coordinate help with State and local governments to cope with the anticipated disaster.

The NFIP has produced a hurricane season stuffer entitled "The 1998 Worst Guest List," which presents the names selected for this year's hurricanes, along with the basic message that homeowners insurance policies don't cover flooding. The names chosen for the 1998 hurricanes are Alex, Bonnie, Charley, Danielle, Earl, Frances, Georges, Hermine, Ivan, Jeanne, Karl, Lisa, Mitch, Nicole, Otto, Paula, Richard, Shary, Tomas, Virginie, and Walter.



The following acronyms are used throughout *Watermark*.

BFE	Base Flood Elevation	NAIC	National Association of Insurance Commissioners
CBRS	Coastal Barrier Resources System	NFIP	National Flood Insurance Program
CID	Community Identification	NFIRA	National Flood Insurance Reform Act
CRS	Community Rating System	NLIC	National Lenders' Insurance Council
FEMA	Federal Emergency Management Agency	PRP	Preferred Risk Policy
FHA	Federal Housing Administration	RCBAP	Residential Condominium Building Association Policy
FIA	Federal Insurance Administration	SBA	Small Business Administration
FIPS	Federal Information Processing Standards	SFHA	Special Flood Hazard Area
FIS	Flood Insurance Study	TMAC	Technical Map Advisory Committee
FISCAA	Flood Insurance Servicing Companies of America Association	TRC	Telephone Response Center
IBHS	Institute for Business and Home Safety	TRRP	Transaction Record Reporting and Processing
ICC	Increased Cost of Compliance	WYO	Write Your Own
LOMR	Letter of Map Revision		

Normal Weather?

Larry Palmer
Redland Insurance Company

It's been over a year since Grand Forks experienced the "come hell or high water" flood event, and less than a few months since the weather forecasters, disaster officials, and various pundits issued statements that El Niño is behind us and the replacement event, La Niña, is now cooling the waters of the Pacific Ocean, creating more unusual weather patterns that will impact the United States this fall and winter. Will these weather patterns be responsible for increased hurricane activity and its potential impact on the southeast and Gulf Coast areas this season? Will we ever have normal weather again? What is normal weather?

I can tell you that it was a very rainy summer in my neck of the woods in southeast Nebraska—Omaha in particular. Is it because I have been marketing flood insurance too long (since 1983), or are there really more weather events that are causing floods? Some of these are major, but many smaller regional events are major to the community but too insignificant to make the national news. I read an article recently about how statisticians have concluded that, at least on the east coast, it rains more on the weekends because of pollution caused by auto exhaust from weekly commutes. This pollution culminates in the environment and purges itself in the form of rain on the weekends. We go back to work on Monday with beautiful weather, and the process starts all over again. It sounds like a bad premise for a movie sequel to *Groundhog Day* with Bill Murray.

I have also noticed that there are more reports of major flooding around the world: heavy rain in Europe, tidal waves in India, and other hurricane events around the globe. The tragedy

of these floods, especially in some of the third world countries, is the significant loss of life; the tremendous damage to homes, huts, barns, and villages; and the disruption to commerce. We should all be thankful that the flood mitigation side of the National Flood Insurance Program (NFIP) has helped reduce property damage and that forecasting and warning systems have helped reduce the loss of life, though one fatality is too much. But what would happen should the United States be challenged with a significant event that is bigger in scope than the Midwest Flood of 1993 and more intense than the devastation in Grand Forks, North Dakota?

With that thought, I wonder if our efforts through the NFIP, specifically the Write Your Own (WYO) companies, have paid off relative to expanding the policy base and administering the corresponding claims. When I first started with the NFIP's WYO Program in 1983, there were about 2 million policies in force. Today, there are more than 4 million policies, and much of that new business was written in the last 5 years. The increase resulted from lender compliance with the National Flood Insurance Reform Act of 1994 requiring flood insurance purchase; greater public awareness through the NFIP's national advertising campaign, called Cover America; as well as the increased marketing efforts undertaken by many of the WYO companies and insurance agents. The result is that more policies are in force covering more structures at risk just in time for what appears to be an increase in the severity and frequency of floods. Fortunately, enhanced mitigation efforts, such as *Project Impact*, and NFIP's floodplain management requirements are helping reduce potential flood damage. These efforts go hand-in-hand with the protection afforded by flood insurance.

Are our efforts working? Yes. More consumers are asking about flood insurance. Insurance agents are asking more sophisticated underwriting and coverage questions. WYO claims departments and adjusters are becoming more experienced handling flood claims. More lenders are requiring, maybe to the dismay of some borrowers, that flood insurance be purchased to cover structures in high-risk areas.

It seems appropriate that given these successes, the NFIP is celebrating its 30th anniversary this year, along with the 15th anniversary of the WYO program. These programs are maturing and serve as an outstanding example of a successful partnership between the government and the private sector. The NFIP, *Project Impact*, and the many partnerships established through these programs will continue to serve flood insurance policyholders and citizens of the United States as we enter the next century. And, maybe, just maybe, we'll start to have "normal" weather again. If not, we'll be prepared.

Larry Palmer is the Assistant Vice President and Director of the Flood Insurance Program for Redland Insurance Company. He has been involved with the Write Your Own Program since its inception in 1983 and is a member of the WYO Marketing Committee and the National Flood Conference Planning Committee. ■

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National Flood Insurance Program Policy Issuance 1-98

Subject: Flood Insurance Rate Map (FIRM) Revisions and Zone Used for Rating

Background: FIRMs are essential for accurate flood insurance rating. When a FIRM is revised, a preliminary FIRM is provided to the community 6 months before the effective date. This allows the community time to make changes on their flood plain management regulations to comply with the new FIRM. The publication of the revised FIRM normally occurs approximately 30 days prior to its effective date.

This means policies are being written or renewed for an effective date after a map revision but before the revised map is available. At issue is whether the insurance agent and WYO companies should use the FIRM in effect at the time of application and presentment of premium, or the FIRM in effect when the coverage becomes effective to determine the flood zone for rating and for PRP eligibility. Two changes in the National Flood Insurance Program have raised this issue.

First, the implementation of Zone AR in Los Angeles and Sacramento, California, is expected to generate a large increase in new business applications before the July 6, 1998 effective date in order to qualify for Zone C or Zone A99 rates. The insurance agent must review the current FIRM in order to determine the zone to properly rate the risk. Second, the elimination of the administrative grandfathering rule for Preferred Risk Policy (PRP) effective May 1, 1998, will require the insurance agent or WYO Company to review the current FIRM before the policy expiration date to determine whether the building meets the new PRP flood zone eligibility requirement. Under the new rule, policies may not be renewed as PRP's if the zone is no longer B, C, or X.

In many cases, because of the 30-day waiting period, the insurance agent who has the responsibility for completing and rating the flood application will not have the information regarding the revised FIRM in effect when the coverage becomes effective. The same situation applies to the writing company who generates a renewal offer 45 days or more prior to the policy expiration date.

Policy Decision: Therefore, for the purpose of determining the flood zone, the agent may use the FIRM in effect at the time of application and presentment of premium. In addition, the WYO companies may generate their PRP renewal offer based on the FIRM information available at that time. Please note that this procedure does not apply when determining whether the policy is affected by a rate increase.

Note: The premiums for AR zones, effective July 6, 1998, were revised.

National Flood Insurance Program Policy Issuance 4-98

Subject: NFIP Premium Refund Rules

Background: Policy Issuance 4-95 dated September 12, 1995, clarified the misrating refund rule and set forth the situations when the NFIP multiple year refunds are authorized. Included in Policy Issuance 4-95 was a provision that a return of premium is allowed back to the inception of the policy subject to the 6-year statute of limitations, where the NFIP policy was issued and it is later discovered that the risk is not eligible for coverage. Also, Policy Issuance 4-95 required that refunds beyond the current and 1 prior year be processed by the NFIP Bureau and Statistical Agent (the Bureau).

Policy Statement: The Federal Insurance Administration (FIA) has recently reconsidered this 6-year limitation and has decided it is appropriate to allow the return of premium back to the inception date of the policy in such cases so long as the insured can provide documentation of the premium paid. The statute of limitations is hereby waived for those cases where the NFIP policy was issued and it is later discovered that the risk is not eligible for coverage under the NFIP rules.

Also, FIA has reconsidered the requirement that refunds for more than 2 years be processed by the Bureau, and has decided that requests for refunds for more than 2 years may be processed by the writing company or may be sent to the Bureau following the processing procedure outlined in Policy Issuance 4-95. WYO companies who choose to process refunds more than 2 prior years must submit the appropriate policy transactions required under the Transaction Record Reporting and Processing Plan on all applicable policy terms.

National Flood Insurance Program Policy Issuance 5-98

Subject: 30-Day Waiting Period

Effective Date: October 1, 1998

This Policy Issuance updates the Federal Insurance Administration's interpretations of the applicability of the 30-day waiting period to various mortgage lending and insurance underwriting situations in Policy Issuance 8-95 (December 5, 1995). This Policy Issuance supersedes Policy Issuance 8-95 and provides answers to additional questions regarding the 30-day waiting period from WYO companies and insurance agents. These interpretations are intended to serve the Congressional intent for the imposition of the 30-day waiting period for the purchase of flood insurance to prevent abuse (i.e., property owners would purchase insurance only when a flood was imminent) and to facilitate lender compliance with the mandatory purchase of flood insurance.

Policy Decisions

1. The 30-day waiting period will not apply when there is an existing insurance policy and an additional amount of flood insurance is required in connection with the making, increasing, extension, or renewal of a loan, such as a second mortgage, home equity loan, or refinancing. The increased amount of flood coverage will be effective as of the time of the loan closing, provided the increased amount of coverage is applied for and the presentment of additional premium is made at or prior to the loan closing.

Explanation: This interpretation is consistent with a basic objective of the National Flood Insurance Reform Act of 1994 (NFIRA), namely, to facilitate lender compliance with the statutory requirements for flood insurance. The 30-day waiting period was established to prevent abuse by insureds from increasing coverage when flooding was imminent. The exemptions to the waiting period, on the other hand, were for loan closing situations and to facilitate lender compliance with the flood insurance purchase requirements. [Note: This policy interpretation has been retained from Policy Issuance 8-95 (December 5, 1995) and has not changed.]

2. The 30-day waiting period will not apply when an additional amount of insurance is required as a result of a map revision. The increased amount of coverage will be effective 12:01 a.m. on the first calendar day after the date the increased amount of coverage is applied for and the presentment of additional premium is made.

Explanation: This interpretation is also consistent with a basic objective of the NFIRA to facilitate lender compliance with the statutory requirements for flood insurance. The purchase of additional flood insurance is to comply with the statutory requirement for flood insurance in an amount equal to the outstanding principal balance of the loan, for a property owner who was prudent enough to buy voluntarily flood insurance, but now must increase the amount to comply with statutory requirements for flood insurance resulting from a Federal Emergency Management Agency map change. [Note: This policy interpretation has been retained from Policy Issuance 8-95 (December 5, 1995) and has not changed.]

3. The 30-day waiting period will not apply when flood insurance is required as a result of a lender determining that a loan which does not have flood insurance coverage should be protected by flood insurance as required by Section 102(e) of the Flood Disaster Protection Act of 1973, as amended by NFIRA, because the building securing a loan is located in a Special Flood Hazard Area. The coverage will be effective upon completion of an application and the presentment of payment of premium.

Explanation: The interpretation is consistent with the purpose of the NFIRA to ensure compliance with the statutory requirements for flood insurance protection for property the subject of Federal or federally related financial assistance even when the discovery is made by the lender that flood insurance is required after the loan has closed. It is immaterial whether the lender's discovery of the need for flood insurance results from a scheduled mortgage loan portfolio review or a review of an individual loan file. [Note: This interpretation has been modified from that contained in Policy Issuance 8-95 to now provide that an exemption from the 30-day waiting period applies only to loans in Special Flood Hazard Areas, i.e., those loans for which the statute requires flood insurance.]

4. The 30-day waiting period does not apply when an additional amount of insurance is requested at renewal time that is no more than the amount of increase recommended by the insurer on the renewal bill to keep pace with inflation. The increased amount of coverage will be effective at 12:01 a.m. on the date of policy renewal provided the premium for the increased coverage is received before the expiration of the grace period. The 30-day waiting period applies to any additional amount of insurance requested at renewal time that is higher than any amount of increase offered on the

renewal bill provided by the insurer. The beginning of the waiting period is determined by the normal rules. In the event that the insurer is unable to determine the application date and the presentment of premium, the insurer must use the premium receipt date in establishing the effective date for the increased coverage.

Explanation: To permit an insured to increase flood coverage to the amount recommended by the insurer as a safeguard against inflation without the 30-day waiting period is consistent with insurance industry practices and does not create a loophole for the kind of abuse Congress specifically wanted to prohibit with the statutory 30-day waiting period. To apply the 30-day waiting period in situations when a policyholder wants to significantly increase the amount of insurance beyond the amount recommended by the insurer to keep pace with inflation is in keeping with Congressional intent. [Note: This policy interpretation has been modified from that contained in Policy Issuance 8-95 to now provide that the 30-day waiting period applies to any additional amount of insurance requested at renewal time that is higher than any amount of increase offered on the renewal bill provided by the insurer.]

5. The waiting period does not apply to a renewal offer to the insured for the next higher limits available under PRP.

Explanation: This interpretation is consistent with other interpretations in this Issuance that exempt from the 30-day waiting period modest increases in coverage that are comparable to the inflation adjustment recommended by insurers at renewal.

6. The 30-day waiting period does not apply when an insured decides to rewrite the existing policy at the time of renewal from Standard to a Preferred Risk Policy (PRP), provided that the selected PRP coverage limit amount is no higher than the next highest PRP amount above that which was carried on the Standard Policy using the highest of building and contents coverage. In those cases where the Standard Policy has only one kind of coverage, either building or contents only, the 30-day waiting period applies.

In addition, if the structure is no longer eligible under the PRP or the insured decides to rewrite the existing PRP at renewal time to a Standard Policy, the 30-day waiting period does not apply provided the coverage limit amount is no more than the previous PRP coverage amount or the next highest PRP amount above that.

Explanation: The change in coverage that results from converting a Standard Policy to a PRP or from converting a PRP to a Standard Policy with the limitations set forth above results in only a modest increase of flood insurance coverage—roughly equal to the amount of increase in No. 4 above.

7. Unless the contents are part of the security for a loan, the 30-day waiting period applies to the purchase of only contents coverage by a condominium unit owner at the time of the loan, i.e., where building coverage is not being purchased by the unit owner.

Explanation: Since the mandatory purchase of flood insurance applies only to property—real improved and/or any personal property—which is securing a loan, then a condominium unit owner who exercises his or her own option to buy insurance and is not responding to a lender's mandatory purchase decision is subject to the 30-day waiting period. This interpretation is consistent with other situations where an exemption to the 30-day waiting period applies only in situations to facilitate lender compliance with NFIRA.

8. Provided that the application and premium are received before an anniversary date, the 30-day waiting period does not apply to a cancel/rewrite of a 3-year policy at an anniversary date to obtain Increased Cost of Compliance (ICC) coverage.

Explanation: ICC coverage became effective for all new or renewal policies with effective dates on and after June 1, 1997. Those policyholders with 3-year policies, without the ability to cancel and rewrite in order to obtain ICC coverage, would be delayed unnecessarily from obtaining coverage that Congress mandated under the NFIRA.

9. The insurer may rely on an agent's representation on the application that the loan exception applies unless there is a loss during the first 30 days of the policy period. In that case, the insurer must obtain documentation of the loan transaction, such as settlement papers, before adjusting the loss.

Explanation: It would be inconsistent with the intent of Congress for the NFIP to impose burdensome and time-consuming documentation requirements for the agent during the application process, in the case of loan transactions which Congress specifically wanted to exempt from the 30-day waiting period. Requiring documentation if a loss occurs during the first 30 days, however, assures that there will be no abuse of the rule.

10. The 30-day waiting period does not apply to a reduction of the deductible effective as of the renewal date.

Explanation: The amounts involved are comparable to the modest inflation adjustments recommended by the insurer at renewal.

In order to provide a reasonable period of time for the insurers to comply with the new Policy Decisions (5 through 10) discussed herein, the effective date for Policy Decisions 5 through 10 is October 1, 1998.

Achievements of NFIP Partners Honored at Flood Conference

(continued from page 7)

work of Roy T. Short, former Vice President of Bank United and of the National Lenders' Insurance Council (NLIC). One of the originators and charter members of NLIC, Mr. Short believed strongly in the group's vision and mission. During NLIC's early years, when funding and interest from within the lending industry was difficult to come by and recognition from outside the industry was stronger than from within, Mr. Short was a constant source of encouragement and inspiration to his colleagues at NLIC. Roy Short died in August 1997.

The Roy T. Short Memorial Award will be given each year to an innovative lender who has stretched beyond the normal lender role in reducing flood losses. The first award was presented at this year's conference to Rosalie Douglass, Vice President, Escrow Administration, AccuBanc Mortgage Corporation. Ms. Douglass was one of the initiators of the NLIC and has worked tirelessly to guide the organization forward since its formation. Not only is she the NLIC Treasurer, but she also has volunteered her time and resources to create and maintain the NLIC member database, write the Flood Guide for Lenders and Servicers, and edit the NLIC quarterly newsletter. Her work to update the lending community about flood insurance issues while creating strong liaisons between the NFIP and its lender stakeholders has been invaluable.

FIA takes great pride in being able to honor all of the award winners for their contributions to the Program. Congratulations to all of you. ■

Susceptibility of Elevated Buildings in A Zones

(continued from page 11)

agents can use to conduct on-site inspections of their client's property. All of the following inspection options will provide information required for submitting a flood insurance policy application:

- Photograph the front and back of the building and any enclosures. Date the photograph to ensure that you have documentation of your inspection in case openings are added later.
- Pace out the size of the enclosure.
- Determine the contents of the enclosure. Check, in particular, for the presence of machinery or equipment.
- Check to see if there are floodwater openings.
- "Breakaway walls," which are required for enclosures below elevated buildings in V Zones, cannot be used in lieu of meeting the flood openings requirement for buildings located in A Zones.
- Remember, enclosures below the BFE either must have flood openings or, in the case of non-residential buildings, must have enclosure walls that are substantially impermeable to the passage of floodwater.

For more detailed information on openings in foundation walls, contact your NFIP or FEMA Regional Office (the removable telephone list attached to the back cover provides contact information).

NFIP Technical Bulletin 1-93: Openings in Foundation Walls, provides an in-depth discussion of the NFIP openings requirements. Copies of this Technical Bulletin (FIA-TB-1) and other Technical Bulletins may be obtained through FEMA's Fax-On-Demand System at (202) 646-FEMA (document number 20010), or through FEMA's website at <http://www.fema.gov/mit/techbul.htm>. ■

Grand Forks Summit Participants Continue Work on Flooding Issues

(continued from page 16)

- FIA completed an analysis of basement coverage.

Projects in Planning or in Progress

- A committee of representatives from FEMA and the insurance industry is reviewing the Elevation Certificate form.
- FEMA is revising the Standard Flood Hazard Determination form.
- NLIC will develop, write, and publish for use by lenders a guidebook to the best practices regarding flood insurance.
- FEMA will update information on flood insurance published by the NAIC and will create a document about the NFIP for state insurance commissioners.
- FISCAA will prepare a report on a flood insurance homeowners endorsement.
- All participating organizations will expand outreach to real estate agents, appraisers, inspectors, and public officials.
- FEMA will conduct a benefits comparison of disaster assistance program payments.

FIA Administrator Jo Ann Howard is looking forward to working with all the groups that are affiliated with the NFIP. She has made a "Call-for-Issues" to provide an opportunity for the Program's stakeholders to submit suggestions for improving the NFIP. With the combined efforts of so many organizations to improve National Flood Insurance and make it even more accessible, communities across the United States will be able to get the help they need to avoid flooding disasters like the one that struck Grand Forks in 1997. ■

NFIP

TELEPHONE NUMBERS

NUMBER	SERVICE
800-638-6620	DIRECT BUSINESS
800-720-1093	AGENT INFORMATION AND LEADS PROGRAM
800-427-4661	GENERAL INFORMATION
800-611-6125	LENDER INFORMATION
800-427-5593	TDD
800-358-9616	FEMA FLOOD MAPS, FLOOD INSURANCE MANUAL
800-480-2520 301-497-6378 FAX	NFIP FORMS AND PUBLIC AWARENESS MATERIALS
800-564-8236	CO-OP ADVERTISING PROGRAM
202-646-FEMA	FEMA FAX— PROGRAM INFORMATION

REGIONAL OFFICES

TELEPHONE NUMBERS

REGION	FEMA	NFIP BUREAU AND STATISTICAL AGENT
REGION I CT, MA, ME, NH, RI, VT	617-223-9561	781-848-1908
REGION II NJ, NY	212-225-7200	732-603-3875
REGION II-S PUERTO RICO, VIRGIN ISLANDS	787-729-7600	787-782-2733
REGION III DC, DE, MD, PA, VA, WV	215-931-5512	609-489-4003
REGION IV AL, FL, GA, KY, MS, NC, SC, TN	770-220-5400	770-396-9117
REGION V IL, IN, MI, MN, OH, WI	312-408-5200	630-955-4550
REGION VI AR, LA, NM, OK, TX	940-898-5165	281-531-5990
REGION VII IA, KS, MO, NE	816-283-7002	913-780-4238
REGION VIII CO, MT, ND, SD, UT, WY	303-235-4830	303-393-1698
REGION IX AZ, CA, GUAM, HI, NV	415-923-7175	916-334-1720
REGION X AK, ID, OR, WA	425-487-4678	425-646-4908